UNITED
NATIONS

DP

Governing Council
of the
United Nations
Development Programme

Distr.
GENERAL

DP/1993/48/Add.1
9 February 1993
ORIGINAL: ENGLISH

Fortieth session
1-22 June 1993, New York
Item 8(c) of the provisional agenda

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UNITED NATIONS DEVELOPMENT PROGRAMME
Summary of the Unaudited/Audited Status of Funds Submitted by the Executing Agencies as at 31 December 1991 (expressed in US Dollars)

	UNHQS	ECA	ECE	ECLAC	ESCAP	ESCWA	UNCTAD	UNCHS	ILO	FAO
Operating Fund										
Balance at 1 January 1991	(29,346,823)	(2,387,421)	(212,195)	(53,413)	(3,627,728)	401,608	(1,697,828)	(6,245,284)	(6,334,983)	(14,660,114)
Add: Cash drawings from UNDP	118,248,812	6,650,000	930,000	1,688,796	6,263,881	-	12,582,147	12,323,242	57,155,000	94,464,870
IOVs	93,630,602	7,292,225	44,999	1,457,779	4,828,452	473,146	5,083,003	12,643,989	28,546,601	108,796,419
Other charges (net)	(63,656,538)	-	48,115	(1,475,391)	249,820	(577,296)	(327,694)	(1,167,554)	(2,907,400)	(4,714,116)
Miscellaneous income and exchange adjustments (net)	490,925	-	339	-	34,310	3,568	43,190	4,856	(109,363)	371,010
Miscellaneous items refunded to (by) UNDP (net)	124,468	41,364	(663)	29,170	-	-	(85,604)	361,960	-	10,476
Expenses incurred on completed projects	-	-	-	-	-	-	-	-	-	-
	119,491,446	11,596,168	810,395	1,646,941	7,748,735	301,026	15,597,214	15,920,229	76,349,855	184,268,545
Deduct: Expenditure during 1991										
For Projects:disbursements	90,037,190	8,303,192	439,000	1,290,500	7,165,801	91,341	10,487,902	14,352,193	68,763,511	155,436,049
unliq. obligations	29,530,120	3,359,845	150,818	132,895	3,536,887	42,020	3,178,270	5,660,873	6,327,302	21,438,712
For programme support costs	14,977,258	1,516,195	76,788	185,041	1,391,350	17,337	1,785,439	2,601,699	9,756,663	22,859,587
Miscellaneous items	-	-	-	-	-	-	-	-	-	-
Additional audit services	-	-	-	-	-	-	-	-	-	-
	134,544,568	13,179,232	666,606	1,608,436	12,094,038	150,698	15,451,611	22,614,765	84,847,476	199,734,348
	(15,053,122)	(1,583,064)	143,789	38,505	(4,345,303)	150,328	145,603	(6,694,536)	(8,497,621)	(15,465,803)
Add/ Subtract: Adjustment to prior year's expenditure	14	553,650	-	-	-	-	-	-	6,594	-
Adjustment to prior year's programme support costs	-	71,975	-	-	-	-	-	-	857	-
	14	625,625	0	0	0	0	0	0	7,451	0
Balance as at 31 December 1991	(15,053,108)	(957,439)	143,789	38,505	(4,345,303)	150,328	145,603	(6,694,536)	(8,490,170)	(15,465,803)
Represented by:										
Cash at bank, on hand and in transit	25,608,245	852,786	89,212	348,416	447,053	92,555	212,805	314,114	(1,463,430)	14,684,530
Investments	-	-	-	-	-	-	-	-	-	-
Due from other Funds	-	-	-	-	-	-	-	-		-
Accounts Receivable	7,358,703	1,126,254	598,177		378,883	301,857	3,564,441	866,931	3,844,216	17,209,785
Deferred Charges	-	1,599,518	-	-	-	-	-	-	-	-
	32,966,948	3,578,558	687,389	348,416	825,936	394,412	3,777,246	1,181,045	2,380,786	31,894,315
Deduct: Due to other funds	-	-	-	-	-	-	-	-	-	-
Accounts Payable	18,489,936	1,176,152	392,782	-	1,634,352	202,064	453,373	2,214,708	4,543,654	25,921,406
1991 Unliquidated Obligations	29,530,120	3,359,845	150,818	309,911	3,536,887	42,020	3,178,270	5,660,873	6,327,302	21,438,712
	48,020,056	4,535,997	543,600	309,911	5,171,239	244,084	3,631,643	7,875,581	10,870,956	47,360,118
Balance as above	(15,053,108)	(957,439)	143,789	38,505	(4,345,303)	150,328	145,603	(6,694,536)	(8,490,170)	(15,465,803)

Explanatory Note:

The amounts credited to the above Operating Fund Statements are recorded on a cash basis, i.e. cash actually remitted or payments already made by UNDP on behalf of the executing agencies. Expenditure, however, is recorded on an accrual basis, i.e. includes unliquidated obligations for which the executing agencies will receive the necessary funds from UNDP at or near the time of disbursement. At any reporting date, therefore, the expenditure incurred normally exceeds the funds received and for this reason the balance of funds is normally negative.

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UNITED NATIONS DEVELOPMENT PROGRAMME

Summary of the Unaudited/Audited Status of Funds Submitted by the Executing Agencies as at 31 December 1991 (expressed in US Dollars)

	UNESCO	ICAO	World Bank	IFC	IMF	WHO	UPU	ITU	WMO	IMO	WIPO
Operating Fund											
Balance at 1 January 1991	(5,939,601)	(8,043,218)	(6,992,855)	(7,063,770)	(553,807)	(4,314,066)	(627,729)	(1,763,555)	(2,161,493)	(457,609)	(477,155)
Add: Cash drawings from UNDP	21,283,848	27,209,485	86,845,000	13,000,000	3,440,000	25,200,000	1,390,000	17,960,478	[illegible],107,000	5,548,040	1,200,000
IOVs	26,934,963	13,348,782	6,859,481	115	844,200	6,332,020	2,351,289	11,689,469	10,752,630	1,879,499	1,902,233
Other charges (net)	(7,806,512)	(243,793)	(11,115,114)	11,633,853	(1,274,458)	170,447	(64,014)	(447,871)	(212,474)	(213,697)	(155,021)
Miscellaneous income and exchange adjustments (net)	(99,861)	(217,868)	210,918	144,489	-	(99,028)	45,788	(8,124)	(43,519)	(10,509)	4,523
Miscellaneous items refunded to (by) UNDP (net)	173,573	2,920	(71,989)	-	-	38,020	(22,420)	12,219	78,965	(25,584)	(81)
Expenses incurred on completed projects		-	-	-	-	-	-	-	-	-	-
	34,546,430	32,056,308	75,735,441	17,714,687	2,455,935	27,327,393	3,072,914	27,442,616	15,519,109	6,720,140	2,474,499
Deduct: Expenditure during 1991											
For Projects: disbursements	21,968,117	27,662,025	67,360,680	9,589,824	2,575,273	22,222,521	2,148,911	23,757,533	13,052,973	4,739,651	2,134,905
unliq. obligations	10,588,309	4,287,306	10,268,294	776,606	142,336	3,591,121	545,909	1,323,023	2,529,587	782,737	319,747
For programme support costs	4,209,187	4,043,190	8,172,842	1,141,343	353,289	2,991,647	592,860	3,120,578	2,077,326	1,100,000	540,041
Miscellaneous items	-	-	-	-	-	-	-	-	-	-	-
Additional audit services	-	-	-	-	-	-	-	-	-	-	-
	36,765,613	35,992,521	85,801,816	11,507,773	3,070,898	28,805,289	3,287,680	28,201,134	17,659,886	6,622,388	2,994,693
	(2,219,183)	(3,936,213)	(10,066,375)	6,206,914	(614,963)	(1,477,896)	(214,766)	(758,518)	(2,140,777)	97,752	(520,194)
Add/ Subtract: Adjustment to prior year's expenditure	-	147,226	89,880	-	-	-	-	1,186	-	-	-
Adjustment to prior year's programme support costs	-	19,139	9,887	-	-	-	-	154	-	-	-
	0	166,365	99,767	0	0	0	0	1,340	0	0	0
Balance as at 31 December 1991	(2,219,183)	(3,769,848)	(9,966,608)	6,206,914	(614,963)	(1,477,896)	(214,766)	(757,178)	(2,140,777)	97,752	(520,194)
Represented by:											
Cash at bank, on hand and in transit	1,564,770	2,101,547	7,296,796	6,765,888	-	-	637,247	839,976	327,566	373,774	7,956
Investments	-	-	-	-	-	-	-	-	-	-	-
Due from other Funds	-	956,334	-	-	-	-	-	-	-	-	-
Accounts Receivable	9,682,851	1,750,661	4,112,300	1,877,032	-	2,113,225	181,563	869,022	1,018,248	907,265	41,409
Deferred charges	-	-	-	-	-	-	-	-	-	-	-
	11,247,621	4,808,542	11,411,096	8,642,920	0	2,113,225	818,810	1,708,998	1,345,814	1,281,039	49,365
Deduct: Due to other funds	-	245,376	-	-	-	-	-	-	-	-	-
Accounts Payable	2,878,495	4,045,708	11,109,410	1,659,400	472,627	-	487,667	1,143,153	957,004	400,550	249,812
1991 Unliquidated Obligations	10,588,309	4,287,306	10,268,294	776,606	142,336	3,591,121	545,909	1,323,023	2,529,587	782,737	319,747
	13,466,804	8,578,390	21,377,704	2,436,006	614,963	3,591,121	1,033,576	2,466,176	3,486,591	1,183,287	569,559
Balance as above	(2,219,183)	(3,769,848)	(9,966,608)	6,206,914	(614,963)	(1,477,896)	(214,766)	(757,178)	(2,140,777)	97,752	(520,194)

Explanatory Note:

The amounts credited to the above Operating Fund Statements are recorded on a cash basis, i.e. cash actually remitted or payments already made by UNDP on behalf of the executing agencies. Expenditure, however, is recorded on an accrual basis, i.e. includes unliquidated obligations for which the executing agencies will receive the necessary funds from UNDP at or near the time of disbursement. At any reporting date, therefore, the expenditure incurred normally exceeds the funds received and for this reason the balance of funds is normally negative.

UNITED NATIONS DEVELOPMENT PROGRAMME

Summary of the Unaudited/Audited Status of Funds Submitted by the Executing Agencies as at 31 December 1991 (expressed in US Dollars)

	UNIDO	IAEA	WTO	ADB	AsDB	ITC	AFESD*	UNITAR*	SUBTOTAL	GOVERNMENTS	UNDP	TOTAL
Operating Fund												
Balance at 1 January 1991	(29,297,834)	(932,200)	(192,462)	(117,033)	(3,767,696)	(2,486,574)	37,536	0	(141,316,302)	(12,955,976)	(29,248,327)	(183,520,605)
Add: Cash drawings from UNDP	69,693,531	100,000	2,610,000	1,539,688	14,221,273	11,779,816	549,000	22,500	621,006,407	170,499,728	223,535,875	1,015,042,010
IOVs	35,830,820	4,567,422	905,049	47,159	477,793	6,171,159	-	-	393,691,618	-	-	393,691,618
Other charges (net)	(3,975,210)	-	(374,892)	1,200	(1,653,303)	150,258	684,061	-	(89,424,574)	-	-	(89,424,574)
Miscellaneous income and exchange adjustments (net)	(559,571)	2	30,759	6,507	(5,054)	12,949	-	274	251,510	-	(240,325)	11,185
Miscellaneous items refunded to (by) UNDP (net)	(137,038)	1,964	-	-	7,103	70,600	-	-	607,263	-	(53,864)	553,399
Expenses incurred on completed projects	-	-	-	-	-	-	-	-	-	-	-	0
	71,554,698	3,737,208	2,978,454	1,477,821	9,280,116	15,698,208	1,270,617	22,774	784,815,922	157,543,752	193,993,359	1,130,353,033
Deduct: Expenditure during 1991												
For Projects: disbursements	45,665,698	998,509	2,539,825	1,209,164	6,602,909	12,887,406	2,107,293	7,407	625,597,303	174,342,899	155,735,623	955,675,825
unliq. obligations	30,646,599	502,491	187,991	58,088	2,573,960	2,776,625	-	-	145,256,471		35,365,452	180,623,923
For programme support costs	9,864,675	330,881	600,120	164,743	1,192,993	2,027,146	-	912	97,691,130		38,257,736	135,948,866
Miscellaneous items	3,036,812	-	-	-	-	-	-	-	3,036,812	-	-	3,036,812
Additional audit services	-	-	-	-	13,000	-	-	-	13,000	-	-	13,000
	89,213,784	1,831,881	3,327,936	1,431,995	10,382,862	17,691,177	2,107,293	8,319	871,596,716	174,342,899	229,358,811	1,275,298,426
	(17,659,086)	1,905,327	(349,482)	45,826	(1,102,746)	(1,992,969)	(836,676)	14,455	(86,780,794)	(16,799,147)	(35,365,452)	(138,945,393)
Add/ Subtract: Adjustment to prior year's expenditure	-	-	-	-	-	-	-	-	798,550	-	-	798,550
Adjustment to prior year's programme support costs	(942,501)	-	(340)	-	-	-	-	-	(840,829)	-	-	(840,829)
	(942,501)	0	(340)	0	0	0	0	0	(42,279)	0	0	(42,279)
Balance as at 31 December 1991	(18,601,587)	1,905,327	(349,822)	45,826	(1,102,746)	(1,992,969)	(836,676)	14,455	(86,823,073)	(16,799,147)	(35,365,452)	(138,987,672)
Represented by:												
Cash at bank, on hand and in transit	2,145,681	1,534,461	14,703	570,801	625,824	96,819	-	-	66,092,095	-	-	66,092,095
Investments	-	-	-	-	-	-	-	-	0	-	-	0
Due from other Funds	-	-	-	-	-	-	-	-	956,334	-	-	956,334
Accounts Receivable	42,053,894	1,540,686	9,299	-	1,712,941	1,138,360	-	14,455	104,272,458	-	-	104,272,458
Deferred Charges	-	-	-	-	-	-	-	-	1,599,518	-	-	1,599,518
	44,199,575	3,075,147	24,002	570,801	2,338,765	1,235,179	0	14,455	172,920,405	0	0	172,920,405
Deduct: Due to other funds	-	-	-	-	-	-	-	-	245,376	-	-	245,376
Accounts Payable	32,154,563	667,329	185,833	466,887	867,551	451,523	836,676	-	114,062,615	16,799,147	-	130,861,762
1991 Unliquidated							-	-	0	-	-	0
Obligations	30,646,599	502,491	187,991	58,088	2,573,960	2,776,625	-	-	145,435,487	-	35,365,452	180,800,939
	62,801,162	1,169,820	373,824	524,975	3,441,511	3,228,148	836,676	0	259,743,478	16,799,147	35,365,452	311,908,077
Balance as above	(18,601,587)	1,905,327	(349,822)	45,826	(1,102,746)	(1,992,969)	(836,676)	14,455	(86,823,073)	(16,799,147)	(35,365,452)	(138,987,672)

Explanatory Note:

The amounts credited to the above Operating Fund Statements are recorded on a cash basis, i.e. cash actually remitted or payments already made by UNDP on behalf of the executing agencies. Expenditure, however, is recorded on an accrual basis, i.e. includes unliquidated obligations for which the executing agencies will receive the necessary funds from UNDP at or near the time of disbursement. At any reporting date, therefore, the expenditure incurred normally exceeds the funds received and for this reason the balance of funds is normally negative.

* Represents Unaudited Balances at 31 December 1991

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STATEMENT XXIII

TECHNICAL COOPERATION ACTIVITIES a/

I. Combined statement of income and expenditure for the biennium 1990-1991 ended 31 December 1991

(United States dollars)

	United Nations	UNCTAD	UNCHS	Regional commissions					Total
				Africa	Asia and the Pacific	Europe	Latin America and the Caribbean	Western Asia	
Income									
Allocations	358 599 744	37 757 358	55 215 819	35 883 099	28 506 741	2 589 732	12 334 523	4 864 472	535 751 488
Contributions	41 313 762	12 286 723	3 031 862	1 478 118	17 763 868	-	12 181 942	92 261	88 148 536
Interest income	2 317 406	505 004	37 911	986 953	611 147	-	662 607	16 284	5 137 312
Miscellaneous income	1 284 173	264 132	-	3 550	-	-	-	1 592	1 553 447
Total, income	403 515 085	50 813 217	58 285 592	38 351 720	46 881 756	2 589 732	25 179 072	4 974 609	630 590 783
Expenditure									
Staff and other personnel costs	180 085 228	27 150 699	22 708 014	20 366 348	19 889 777	1 208 367	15 026 946	4 161 586	290 596 965
Travel	9 626 742	6 326 400	1 958 527	4 388 331	3 423 434	286 565	1 611 908	351 304	27 973 211
Contractual services	22 518 693	501 317	13 474 543	1 240 035	3 641 939	116 781	514 446	3 208	42 010 962
Operating expenses	19 451 072	2 062 632	2 182 750	1 275 792	2 792 704	100 475	1 085 411	32 509	28 983 344
Acquisitions	68 176 530	2 344 123	8 838 396	981 720	835 058	110 112	506 188	23 692	81 815 819
Fellowships	60 557 112	6 368 747	3 056 664	7 090 162	11 322 063	508 228	2 569 095	86 884	91 558 955
Total, project costs	360 415 377	44 753 918	52 218 894	35 342 388	41 904 975	2 330 528	21 313 994	4 659 182	562 939 256
Programme support costs	41 648 784	5 211 137	5 863 284	4 113 350	5 073 595	259 204	2 428 312	252 460	64 850 126
Total, expenditure	402 064 161	49 965 055	58 082 178	39 455 738	46 978 570	2 589 732	23 742 306	4 911 642	627 789 382 b/
Excess of income over expenditure	1 450 924	848 162	203 414	(1 104 018)	(96 814)	-	1 436 766	62 967	2 801 401

II. Combined statement of assets and liabilities as at 31 December 1991

	United Nations	UNCTAD	UNCHS	Africa	Asia and the Pacific	Europe	Latin America and the Caribbean	Western Asia	Total
Assets									
Cash	49 837 798	8 089 012	3 102 008	6 968 003	23 550 313	89 217	4 751 576	267 117	96 655 039
Pledged contributions unpaid	805 846	-	627 073	3 844 256	-	-	737 806	-	6 014 981
Accounts receivable	1 933 994	2 730 613	848 268	1 578 050	565 282	17 650	460 220	27 563	8 161 630
Due from UNDP, UNFPA and UNEP for excess of expenditure over funds provided	19 463 586	-	7 294 981	2 066 272	4 844 714	-	-	609 272	34 278 825
Unspent allocations	161 603 882	14 786 616	9 048 460	6 792 757	6 042 982	483 632	5 051 867	378 441	204 188 637 c/
Interfund balances receivable	6 109 831	458 388	-	-	162 067	146 968	-	-	6 877 254
Due from United Nations General Fund (note 6)	5 764 035	550 934	-	829 289	116 776	559 048	368 544	275 210	8 463 836
Deferred charges and other assets	23 023 425	441 110	50 174	1 814 014	630 955	29 284	-	-	25 989 162
Due from special accounts for programme support costs	-	10 345	-	-	-	-	-	-	10 345
Total, assets	268 542 387	27 067 218	20 970 964	23 892 641	35 913 089	1 325 794	11 370 013	1 557 603	390 639 709

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STATEMENT XXIII (continued)

	United Nations	UNCTAD	UNCHS	Regional commissions					Total
				Africa	Asia and the Pacific	Europe	Latin America and the Caribbean	Western Asia	
Liabilities									
Accounts payable	20 415 832	2 202 492	702 501	986 128	9 830 236	-	261 926	309 686	34 708 801
Unliquidated obligations	41 666 588	4 509 628	8 085 710	4 686 402	5 600 450	241 832	764 053	153 206	65 707 869
Unliquidated obligations for future years	17 868 659	-	-	-	630 955	-	-	-	18 499 614
Interfund balances payable	6 109 831	458 388	-	-	162 067	146 968	-	-	6 877 254
Due to special accounts for programme support costs (statement XXV)	-	-	1 717 045	-	1 815 307	245 814	-	-	3 778 166
Due to United Nations General Fund (note 6)	-	-	542 332	1 190 816	49 494	-	123 749	420 197	2 326 588
Operating fund	-	147 726	-	-	6 136	199 743	234 801	150 328	738 734
Deferred income	174 212 786	14 786 616	9 048 460	7 025 285	16 818 898	491 437	5 481 709	378 441	228 243 632
Total, liabilities	260 273 696	22 104 850	20 096 048	13 888 631	34 913 543	1 325 794	6 866 238	1 411 858	360 880 658
Fund balance									
Balance available 1 January 1991	6 817 767	4 114 206	671 502	11 108 028	1 096 360	-	3 067 009	82 778	26 957 650
Add: Excess of income over expenditure	1 450 924	848 162	203 414	(1 104 018)	(96 814)	-	1 436 766	62 967	2 801 401
Balance available 31 December 1991 (schedule 23.2)	8 268 691	4 962 368	874 916	10 004 010	999 546	-	4 503 775	145 745	29 759 051
Total, liabilities and fund balance	268 542 387	27 067 218	20 970 964	23 892 641	35 913 089	1 325 794	11 370 013	1 557 603	390 639 709

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REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENTS RELATING TO THE PARTICIPATION OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO) AS AN EXECUTING AGENCY IN THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) AND IN UNDP-ADMINISTERED TRUST FUNDS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 1991.

GENERAL

1. The statements and supporting schedules relating to the participation of UNIDO in the United Nations Development Programme are in the form prescribed by UNDP. My examination of them has been carried out in conjunction with my audit of the regular budget and subsidiary funds of UNIDO. It included a general review of the accounting procedures and such tests of the accounting records as I considered necessary.

2. As a result of the audit observations were made with respect to Accounts Payable and unliquidated obligations. Further, except for some minor errors, no real inconsistencies or systematic abuses could be noted.

3. As part of a general review of UNIDO policies and procedures on projects design, appraisal, monitoring, evaluation and follow up, my staff updated the examination of the large-scale, multi-year projects executed by UNIDO in developing countries throughout the world.

SUMMARY OF FINDINGS

4. Our examination of Accounts Payable disclosed that there are no written guidelines for registering in a ledger the financial claims and invoices from creditors upon their receipt in the UNIDO offices; thus the possibility exists that all claims may not be recorded in the balances as at 31 December 1991.

5. Our audit of the unliquidated obligations of the UNDP Operating Fund indicated that the share of unliquidated obligations in the total expenditures has slightly decreased since 1989. The exercise, however, revealed also that the prescribed procedures for carrying over unliquidated obligations at the end of the accounting period are still not completely adhered to. Moreover, we noted a backlog of approximately nine months in the processing of Field Interoffice Vouchers at the time of our audit.

6. As regards Technical Co-operation Activities we noted that Project Performance Evaluation Reports (PPER) are still not submitted in time by the field offices and that in 9.5 per cent of the submitted cases the processing time for analysis was exceeded.

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7. In connection with Tripartite In-depth Evaluations we noticed that, as a result of the increased expertise of both UNIDO backstopping officers and of the evaluation staff the quality of evaluations has improved.

8. Our audit indicated that inadequate project design remains a very likely source of problems during implementation, resulting also in substantial increases in project expenditures.

9. In reply to our observations the Administration acknowledged the importance of the internal evaluation system as a management tool. It declared that regarding the problems of end users in Tripartite In-depth Evaluations it will draw the attention of all those concerned so that in the future more emphasis will be put on this important aspect.

ACCOUNTING AND FINANCIAL REPORTING PROCEDURES

Accounts Payable

10. We examined the system of registering the accounts payable and found that the possibility exists that some invoices and financial claims from creditors outstanding as at 31 December 1991 may not be recorded in the reported balances.

11. On our queries, the Secretariat explained that an account payable is only established right after the end of the biennium, when the accounts are still open and certifying officers submit to the Accounts and Payments Section (APS) invoices for supplies exceeding the established obligation or for which no obligation had been established before. This is usually done up to the third accounting cut-off to ensure inclusion of such amounts in the accounts of the financial period to which they pertain.

12. With reference to generally accepted accounting principles and in order to serve the needs of financial control and management information, we consider that a more appropriate accounting system for outstanding liabilities should be established. As a minimum requirement all claims of creditors should be registered in a ledger immediately upon their receipt (in UNIDO offices). We also recommended that the Electronic Data Processing and Office Automation Service should be involved in the implementation of such control registration system.

Unliquidated obligations - UNDP Operating Fund

13. The guidelines specifying the applicable accounting principles for recording unliquidated obligations are set forth in the notes to the accounts for the year 1991 (cf. note 1,h to the statements of UNIDO).

14. Though the share of unliquidated obligations in the total expenditures for the current year has slightly decreased since 1989, the total amount of unliquidated obligations can nevertheless be considered as rather high (see table 1).

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TABLE 1

UNDP Operating Fund
Status of expenditures
1989-1991(in US dollars)

year (a)	unliquidated obligations (b)	expenditure (c)	(b) as a percentage of (c)
1989	33,193,764	90,188,554	36.8
1990	39,829,606	108,631,267	36.7
1991	30,813,579	86,876,391	35.5

15. For purchases of equipment and supplies, where the issuance of a purchase order is already treated as expenditure even when delivery has not yet taken place, a significant amount of unliquidated obligations is understandable. Equally, the remuneration of consultants expressed in a lump sum, as well as travel and group training started prior to the end of the calendar year and continuing into the following year may create unliquidated obligations.

16. However, for personnel services, subcontracts and fellowships unliquidated obligations should normally be exceptional. Pursuant to the aforementioned note to the accounts these costs should indeed be charged to the period in which the services are rendered, the payments are scheduled or the study takes place.

17. From a sample survey of sub-contract files we learned that some recorded obligations were even not in line with the contractual payment schedule but were carried forward on the basis of the estimated time schedule established at the time the purchase order was issued; this estimated time schedule sometimes exceeds the final contractual schedule with several months. In other cases the payment schedule of the purchase order was not in conformity with the contractual stipulations; we even noticed that for some cases APS omitted to reconcile the accounting records with the final contractual terms.

18. Furthermore we noted that for services of subcontracts to be rendered in December 1991 the related payments were scheduled for the current year. Taking into account that the procedure for acceptance of services and approval of expenditures could normally not be completed before year-end, this procedure does not comply with the applicable guidelines.

19. In this regard we pointed out that in conformity with financial regulation 9.1,(i), the Director-General shall establish detailed financial rules and procedures in order to ensure the effective financial administration, meaning the correctness of the accounting treatment of the financial transactions in compliance with the accounting policies and practices as set forth in the notes to the financial statements.

20. As a result of our observations on the subject instructions for the closure of the accounts and review of outstanding obligations are distributed within Financial Services, to all Certifying Officers, Administrative Assistants, the DDG/DIO, Chiefs DA/GS/PUR, Head IO/OS/PRAS, and the Chief DA/MISD. The certifying officers are provided quarterly with reports including the outstanding obligations for which they are responsible. They are requested to review them and to confirm their validity or cancellation if they are no longer required.

21. Through this audit exercise we found also that there was a substantial delay in the processing of Field Inter Office Vouchers (FIOV). Computer print-outs of the subsidiary ledger system showed a substantial increase in the value of the FIOV to be processed at year-end; $ 7.3 million as at 31 December 1989; $ 16.1 million as at 31 December 1990; and, $ 27.7 million as at 31 December 1991. We even noticed that FIOV received in February 1991, were still not processed at the end of 1991. Because in a smooth working system such delays are unacceptable my staff recommended that every effort should be made to process all FIOV as promptly as possible.

22. The Administration recognized that a high value of unprocessed Inter Office Vouchers resulted in a proportionately high amount of unliquidated obligations (approximately 60 per cent) and thus makes it extremely difficult to carry out an adequate obligation review. It indicated that the backlog of approximately nine months in processing charges from field offices, covering UNDP and other sources of funds, is a result of the extreme shortage of staff in the unit handling these charges. In order to alleviate the backlog situation, one staff member was redeployed to the FIOV unit as of 1 April 1992 and would be recruited on a temporary basis as of May 1992. It can thus be expected that FIOV processing can be expedited towards the end of 1992.

23. We will follow up on this matter in due course.

TECHNICAL CO-OPERATION ACTIVITIES

Timely submission of Project Performance Evaluation Reports by the Field Officers

24. We noted that for 1990 PPERs for 334 projects were scheduled as compared to 267 in 1989. During the same period, a total of (only) 206 PPERs were processed, i.e. received, reviewed and returned with UNIDO's comments to Project Management, UNDP/UNIDO Field Staff and UNDP Headquarters. Difficulties were still experienced with some countries where PPER is possibly not an accepted management tool, or, at least, reporting requirements are not adhered to. The compliance rate is, reportedly, dependent on the extent to which the local UNDP takes initiative in following up.

25. At the time of our review, in February 1992, from the 330 PPERs scheduled for 1991, fifty-six reports (17 per cent) were not available and fifty-nine reports (18 per cent) were submitted with an average of eighty days delay. It means that only 65 per cent of

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the PPERs scheduled for 1991 has been received in time. At the same time UNIDO was still not in receipt of sixteen PPERs scheduled for 1990.

26. Though we noted that the Project Management and UNIDO Field Staff whose reports are received after the tripartite review are regularly reminded, in ODG/EVAL's comments on PPERs, of the necessity to produce and forward the report prior to the meeting we recommended that appropriate steps be taken with a view to reaching a more timely submission of the PPERs. Management promised to do its utmost to reduce the delays.

27. In view of UNDP's responsibility for ensuring that its funds are always being utilized with maximum economy, efficiency and effectiveness, we recommend that UNDP Administration should fully support the action taken by UNIDO towards a timely submission of the PPERs.

The quality of PPER exercises

28. We learned that in 1990 for approximately 48 per cent and 57 per cent of the PPERs reviewed with respect to projects backstopped by DIO and other parts of the Secretariat respectively, the Evaluation Staff found the performance reports excellent or good. 12 per cent and 29 per cent (DIO and non-DIO projects respectively) of the PPERs were found poor and unacceptable.

29. In this connection, we took due note of the Director-General's Bulletin on Internal Evaluation of Technical Co-operation providing guidance on performance reporting requirements for all projects executed by UNIDO independently of their source of financing. Management considered that in general the performance reports were more than acceptable and that the Internal Evaluation system is mostly functioning well.

30. We recommend that UNDP Administration should also take appropriate steps with a view to further improving the quality of the PPER exercises.

Tripartite In-depth Evaluations

31. We observed that in 1990 thirty-four in-depth evaluation exercises were conducted - most of them with a UNIDO representative - as against only eighteen in 1989. In 81 per cent of these evaluation exercises the quality was rated "satisfactory", "very good" or "excellent". This result reflects the increased expertise of both UNIDO backstopping officers and the Evaluation Staff in the design, planning, scheduling and conduct of in-depth evaluations.

32. In 1991 another thirty-three in-depth evaluation exercises were carried out, most of them with a UNIDO representative.

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Factors affecting timely production of project outputs often resulting in substantial increases in project expenditures

33. We noticed that in 1990 only 44 per cent of the projects were found to be performing "more than planned" or "as planned" as against 60 per cent in 1989. As main problem areas for the decrease in quality were mentioned: "project design" and "input delivery". Furthermore, while in the past government inputs were observed not to be forthcoming as anticipated, lately the delivery of UNIDO inputs gave cause for concern.

34. Management found our concern regarding late delivery of UNIDO valid but mentioned that the consultative process between the three parties involved, namely Headquarters, donors and the recipient governments with clearances required for each step causes delays in almost every component of project implementation.

35. As other grounds which affect the timely production of project outputs Management enumerated that:

(a) The recruitment process and clearances by the recipient country or experts candidates submitted often cause delays in implementation;

(b) The best experts are under high demand and therefore generally their services are not immediately available; and,

(c) The unavailability of funds to let backstopping officers carry out monitoring/consulting visits is a major handicap to overcome problems related to UNIDO/UNDP and government inputs delivery.

36. Management shared our view that inadequate project design is a very likely source of problems during implementation and stated that in order to meet important pre-requisites, like collecting and analyzing adequate information from the counterparts, the project preparation has to be strengthened.

37. We therefore strongly recommend that UNDP Administration should assist UNIDO in its endeavour to preclude the recurrence of factors affecting timely production of projects outputs.

Utilization of the flow of information generated by UNIDO's internal evaluation system - Sustainability, commercial viability and impact of projects

38. It is the policy of UNIDO to strive continuously to improve the quality of technical co-operation projects, as well as to respond in a clear manner to accountability. The internal evaluation system for technical co-operation projects is intended to provide all levels of management with timely analytical information on project achievements and problems, thus enabling them to focus on the relevance, efficiency, effectiveness and impact of the technical co-operation activities of the Organization. The evaluation system provides justification and direction for any remedial action that may be required, as well as lessons from which Management can learn for the

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future. Furthermore, the system helps to establish the responsibilities of each party in ensuring project effectiveness and impact.

39. Our review of the files revealed that the impact (contribution towards the achievement of the development objective) of the projects evaluated was evident in 28 per cent, partial in 31 per cent, and not evident in 12.5 per cent of the cases. In 22 per cent of the evaluations the question was not discussed.
The problem of end users who ultimately should benefit from assistance provided, mostly through the immediately benefiting counterpart institution, was addressed by 68 per cent of the evaluations only, with a gender specific analysis prepared in 13 per cent of the cases.

40. Our audit furthermore disclosed seven projects where, in the comments made by Evaluation Staff on the PPERs in 1991, due attention was paid to and strong concern was expressed about the sustainability, commercial viability and impact of the projects.

41. Management acknowledged our view regarding the importance of the internal evaluation system as being a management tool. It declared that regarding the impact of projects (contribution towards the achievement of the development objective) and the problems of end users in Tripartite In-depth Evaluations it will draw the attention of all those concerned so that in the future more emphasis will be put on those important aspects.

ACKNOWLEDGEMENT

42. I wish to record my appreciation for the willing co-operation and assistance extended by the Officers and the Staff of UNIDO.

Jeroom L.E. VAN de VELDE
Senior President of the Court of Audit,Belgium

External Auditor

Brussels,

16 July 1992

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STATEMENT I
UNITED NATIONS DEVELOPMENT PROGRAMME
(Name of Participating and Executing Agency)
Status of Funds as at 31 December
(in US dollars)

Operating Fund

	1991		1990	
	$	$	$	$
Balance at 1 January 1990		(29,297,834)		(31,167,407)
Add: Cash drawings from UNDP	69,693,531		80,088,170	
IOVs	35,830,820		34,066,083	
Other charges/credits [net]	(3,975,210)		(1,510,003)	
Miscellaneous income and exchange adjustments [net]	(559,571)		346,306	
Miscellaneous items refund to UNDP [net]	(137,038)	100,852,532	(64,704)	112,925,852
		71,554,698		81,758,445
Subtract: Expenditure during 1991				
For projects				
Disbursements [Schedule 1A]	45,665,698		55,723,501	
Unliquidated obligations [Schedule 1A]	30,646,599		38,919,743	
For programme support costs [Schedule 1A]	9,864,675		12,272,512	
For UCD programme	3,036,812	89,213,784	4,124,143	111,039,899
		(17,659,086)		(29,281,454)
Subtract: Adjustments:				
To prior year's expenditure [Schedule 1B]	—	—	14,496	
To prior year's programme support costs [Schedule 1B]	—	—	1,884	
Increase of 1990 programme support costs from 13% to 14%	942,501	942,501		16,380
Balance at 31 December		(18,601,587)		(29,297,834)
Represented by:				
Cash at banks, on hand and in transit	2,145,681		5,620,376	
Accounts receivable [Schedule 8]	42,053,894	44,199,575	31,170,755	36,791,131
Less: Accounts payable [Schedule 9]	32,154,563		27,169,222	
Unliquidated obligations [Schedule 1A]	30,646,599	62,801,162	38,919,743	66,088,965
		(18,601,587)		(29,297,834)

CERTIFIED CORRECT

W. Behrens
Director
Financial Services Division

APPROVED

Charles A Warner

D.L. Siazon Jr.
Director-General

AUDIT OPINION

The above Statement and the related Schedules for the two-year period ended 31 December 1991 have been examined in accordance with my directions. I have obtained all the information and explanation that I have required and I am of the

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opinion, as a result of the audit, that the Statement properly reflects the recorded financial transactions for the period then ended.

Brussels, 14 April 1992.

Jeroom L.E. VAN de VELDE.
Senior President of the
Court of Audit, Belgium.

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REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT SHOWING AT 31 DECEMBER 1991 THE STATUS OF FUNDS ADVANCED TO THE INTERNATIONAL LABOUR ORGANISATION BY THE UNITED NATIONS DEVELOPMENT PROGRAMME

GENERAL

1. The statement and supporting schedules relating to the participation of the International Labour Organisation (ILO) in the United Nations Development Programme (UNDP) are generally in the form prescribed by UNDP. My audit of them has been carried out in conjunction with my audit of the regular budget and subsidiary funds of the ILO, which included a payroll audit. I have also examined the programme and relevant reports of internal audit.

2. My audit has been conducted in conformity with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency.

INVENTORY CONTROL

3. In paragraphs 30 and 31, and 77 to 84 of my Report on the accounts of the ILO, I refer to my staff's review of ILO's property records and physical inventories. As at 31 December 1991, the recorded value of supplies and equipment in ILO's books was $72.1 million of which $40.2 million related to non-regular budget technical co-operation equipment, including equipment relating to UNDP - funded activities.

4. ILO's technical co-operation inventories should include all equipment, publications, materials and supplies purchased for technical co-operation projects funded by UNDP, other donors and the regular budget. ILO's Technical Co-operation Equipment and subcontracting Branch (EQUIPRO) maintain a master inventory of non-expendable technical co-operation equipment. Project officers in the field are required to carry out annual inventory checks and submit certificates to EQUIPRO covering all inventory items in their custody.

5. My staff examined equipment acquisitions and disposals on technical co-operation projects and confirmed that EQUIPRO's master inventory had been kept up to date. However, project officers' response to ILO's annual certification of project inventories was poor. From a sample of 32 projects examined, my staff found that only 14 returns (44 per cent) had been submitted to EQUIPRO.

6. I have recommended that ILO review as a matter of priority the status and management of inventories and the arrangements for ensuring that these are kept up to date.

TECHNICAL CO-OPERATION PROJECTS

7. In paragraphs 33 to 46 and 88 to 130 of my Report on ILO's accounts for 1990-91, I set out the results of my staff's review of

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technical co-operation projects, which was carried out to assess ILO's planning, monitoring and evaluation procedures and to identify factors contributing to delays in project delivery.

8. ILO's technical co-operation programme has expanded steadily since it began in the 1950s, and it accounted for expenditure of $322.1 million in 1990-91. The United Nations Development Programme is one of the main sources of funds for ILO's technical co-operation activities, accounting for some 47 per cent of the overall expenditure in 1990-91.

9. ILO's technical co-operation is organised into programmes, each with specific objectives, and my staff's examination focused on the three largest programmes: Employment and Development; Enterprise and Co-operative Development; and Training. These accounted for more than 70 per cent of the total technical co-operation expenditure for 1991, and 1,120 (72 per cent) of the active projects at 31 December 1991. My staff examined a representative sample of projects drawn from these programmes, including projects financed by UNDP.

Planning

10. ILO procedures on project planning are set out in their Chief Technical Advisers (CTA) manual, revised in 1990. The CTA Manual summarises the more detailed procedures required by the UNDP Programme and Project Manual for UNDP-funded projects.

11. National governments or host country institutions are responsible for formulating projects. In practice ILO, as the executing agency, play an important role in the process by guiding and advising governments and institutions. ILO also appraise project proposals to ensure that they represent an effective contribution to the countries' development objectives.

12. After ILO have approved and signed a project document they recruit and appoint a Chief Technical Adviser (CTA) to manage the project or jointly manage it with national government staff. The CTA draws up detailed project workplans which should show scheduled inputs and describe the planned outputs for each activity. Workplans also serve as a management aid for reviewing project progress and achievement. There is no standard format for a workplan.

13. The majority of project documents examined by my staff properly showed development and project objectives, resource requirements and planned outputs. However, in some projects there were shortcomings in these aspects which had led to implementation delays. ILO have since revised their procedures manual and guidelines to reinforce the need for a clear definition of project objectives, activities and resource requirements. They have also conducted seminars to improve the planning and design of projects. I welcome these developments.

14. The project workplans examined by my staff varied considerably in scope and coverage. None of them included a schedule of resource requirements against which to assess performance. In my report on ILO's accounts ILO for the 1990-91

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biennium I have recommended that ILO establish a standard format of workplan and that they issue guidance to underline the need for workplans to establish a schedule of resource requirements.

Monitoring

15. ILO's Chief Technical Advisers manual defines monitoring as the continuous oversight of the implementation of a project to identify and promote actions necessary to improve the implementation process. Chief Technical Advisers are responsible for monitoring their respective projects but ILO's regional offices and headquarters provide technical assistance and help co-ordinate and support activities.

16. For UNDP projects, UNDP guidelines specify that a Project Performance Evaluation Report should be prepared annually to provide a systematic assessment of project progress against planned outputs and identify the effect of any disruptions. ILO carry out systematic assessments of project progress in accordance with these guidelines.

17. For multi-bilateral projects, ILO operate a computerised Project Information Listing System (PILS) to monitor centrally the receipt of progress reports but they do not have a similar report monitoring system for UNDP projects. They therefore have no means of identifying whether reports on these projects have been received or are outstanding. Some technical sections have, however, started to develop their own computerised monitoring systems.

18. ILO are currently reviewing centrally the need for an officewide, computerised monitoring system. They consider that such a system would hold basic information on projects as well as indicate when reports are due. I welcome this development. In my opinion such a system would help identify all outstanding and overdue progress and evaluation reports and provide an opportunity for ILO to take hastening action as necessary.

19. For financial monitoring, ILO headquarters maintain for each project a separate account comprising budget lines and allocations, which forms the basis of recording and controlling expenditure. Allocations represent a prime budgetary authority against which obligations and expenditure are controlled and ILO's Financial Rules require that obligations should not exceed allocation balances.

20. At project level the Chief Technical Adviser is responsible for planning and monitoring the commitment and disbursement of project funds against these allocations. ILO's Financial Rules stipulate that expenditure may only be incurred against an approved obligating document and that obligations, or commitments, may only be approved where the proposed expenditure does not exceed the available allocation balance.

21. My staff's review of financial monitoring revealed 14 per cent of technical co-operation projects with recorded commitments or expenditure in excess of allocations, in contravention of ILO's Financial Rules. ILO had informed my staff that there was no risk of loss for the projects involved and that the situation in 1991

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was exceptional and affected by staff turnover. Nevertheless, negative allocation balances are symptomatic of control weaknesses in the posting of expenditure and the review and revision of allocations, which could undermine financial control.

22. In my report in ILO's 1990-91 accounts I have suggested that ILO should review and revise their budget procedures so that practice complies with the Financial Rules. A number of negative allocation balances had continued for at least four months, suggesting that the financial status of projects needs to be monitored and project revision procedures improved. In particular, ILO's budget monitoring does not promptly identify and correct instances where allocations are overspent. I am pleased to note, however, that ILO are planning to introduce a regular report identifying negative allocation balances, which in my view, would significantly improve their monitoring.

23. The practice of allowing book deficits on project allocation balances mitigates against sound budgetary control, and ILO have agreed that this practice should be discontinued and have informed my staff that in future, allocations or changes to allocations will be recorded on a timely basis.

Delivery

24. Of 92 projects reviewed by my staff, 49 were largely on schedule, while the remaining 43 had been delayed for between six and 19 months. The principal causes of delay were: recruitment of Chief Technical Advisers; lengthy government approval procedures; and problems arising from securing funds from donors.

25. In 12 of the 29 projects examined, there were delays of between six and 19 months between a project's planned start date and the Chief Technical Adviser taking up post. One reason for delay is that finance for the post of a CTA is frequently only confirmed when the project document is signed. Government approval of a candidate is then expected to take a further eight weeks.

26. Government approval procedures contributed to delays in nine of the projects examined. For eight of the projects examined, implementation of activities had been adversely affected by donor funds not being readily available.

27. I recognise the difficulties of recruiting Chief Technical Advisers in advance of a project start, but have recommended in my report on ILO's 1990-91 accounts that ILO explore the possibility of identifying suitable candidates well in advance, so as to minimise delays in project implementation. I also recognise that delays arising from government approval procedures and from problems in securing donor funds are largely outside ILO's control, although lessons learned from earlier projects may help avoid such difficulties in future projects.

Evaluation

28. In my report on ILO's 1986-87 accounts I concluded that ILO had established a framework of procedures for evaluating technical co-operation projects but that these procedures would be enhanced

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by ensuring that all UNDP evaluation reports were included in the ILO Evaluation Unit's information database. I also commented in my report that ILO procedures did not specify when evaluations should be carried out.

29. In recent years ILO's Evaluation Unit have required the inclusion of an evaluation schedule in the design of multi-bilateral projects. To ensure that these projects are monitored in accordance with the schedule, ILO operate a computerised Project Information Listing System (PILS). However, for UNDP Projects (which represent over 40 per cent of all projects), there is no central monitoring of the receipt of monitoring or evaluation reports.

30. ILO's Evaluation Unit operate an information database which contains summaries of the main conclusions and recommendations from evaluation reports on over 500 projects. From these, ILO produce "evaluation highlights" circulars, which draw together the lessons learned on similar projects and on particular themes, such as training. The Evaluation Unit intend to expand the information database and develop further uses. ILO recognise that they currently have no formal mechanisms to feed back project experiences into operational activities. However, the information database offers scope for extracting information on specific issues for use in future project design and help in overcoming operational problems.

31. ILO's information database mainly covered multi-bilateral projects, and by January 1992 included evaluation reports for only a small minority of UNDP projects. ILO have informed my staff that they propose to remedy this by issuing a circular requiring technical sections and regional offices to forward all evaluation reports to the Evaluation Unit. I welcome this move towards adopting the suggestion made in my report on ILO's 1986-87 accounts that all UNDP evaluation reports should be included in the information database.

ACKNOWLEDGEMENT

32. I wish to record my appreciation for the co-operation and assistance extended by the Director-General and the staff of the ILO during my audit.

John Bourn

Sir JOHN BOURN
Comptroller and Auditor General, United Kingdom
External Auditor

UNITED NATIONS DEVELOPMENT PROGRAMME
INTERNATIONAL LABOUR ORGANISATION

STATEMENT I

Status of funds for the 1990-91 financial period

(in US Dollars)

Operating Fund

		1988-89		1990-91	
Balance at 1 January 1988 and at 1 January 1990			(6 697 647)		(7 642 393)
Add:	Cash drawing from UNDP	86 625 609		106 255 000	
	IOV's	47 689 303		54 034 186	
	Miscellaneous income and exchange adjustments (net)	336 003	134 650 915	(115 599)	160 173 587
			127 953 268		152 531 194
Less:	Expenditure				
	For projects				
	Disbursements	112 086 764		136 204 110	
	Unliquidated obligations	7 911 896		6 327 302	
	For programme support costs	15 491 196	135 489 856	18 480 493	161 011 905
			(7 536 588)		(8 480 711)
Less:	Miscellaneous items charged to UNDP (net)	105 805		16 910	
	Adjustment to prior year's expenditure		105 805	(7 451)	9 459
Balance due to ILO at 31 December 1989 and at 31 December 1991			(7 642 393)		(8 490 170)
Represented by:					
	Cash at banks, on hand and in transit	4 768 453		(1 463 430)	
	Accounts receivable	1 656 595	6 425 048	3 844 216	2 380 786
Less:	Accounts payable	6 155 545		4 543 654	
	Unliquidated Obligations	7 911 896	14 067 441	6 327 302	10 870 956
			(7 642 393)		(8 490 170)

Annex: Statement of accounting policies

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The foregoing Status of Funds Statement and supporting Schedules 1 and 2 are approved:

J.D. Hunt
Deputy Director
Financial and Central
Administrative Services
Department

A. Ahmad
Assistant Director-General
Treasurer and Financial
Comptroller

OPINION OF THE EXTERNAL AUDITOR TO THE GOVERNING BODY OF THE INTERNATIONAL LABOUR OFFICE

I have examined the foregoing Status of Funds Statement I and Schedules 1 and 2 of the International Labour Organisation as Executing Agency of the United Nations Development Programme for the financial period ended 31 December 1991, in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialised Agencies and the International Atomic Energy Agency. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

As a result of my examination I am of the opinion that the Statement and Schedules present fairly the financial position at 31 December 1991 and the results of the operations for the period then ended; that they were prepared in accordance with the stated accounting policies which were applied on a basis consistent with that of the preceding financial period; and that the transactions were in accordance with the Financial Regulations and legislative authority.

John Bourn

Sir John Bourn
(Comptroller and Auditor General,
United Kingdom)
External Auditor

REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT SHOWING THE STATUS OF FUNDS AS AT 31 DECEMBER 1991 ADVANCED TO THE FOOD AND AGRICULTURE ORGANIZATION BY THE UNITED NATIONS DEVELOPMENT PROGRAMME

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INTRODUCTION

General

1. I have audited the Statements and supporting Schedules relating to the participation of the Food and Agriculture Organization (FAO) in the United Nations Development Programme (UNDP) for the financial period 1 January 1990 to 31 December 1991 in accordance with the Financial Regulations and the "Additional Terms of Reference Governing External Audit" of the FAO. My audit has been conducted in conformity with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency.

Presentation of the Status of Funds Statement

2. Because of technical difficulties encountered during the implementation of a major upgrade of its computerised accounting systems, the FAO, with my concurrence, asked for an extension to mid-1992 of the deadline for submission of an audited Financial Statement to the UNDP, set for 30 April 1992. A draft, unaudited Statement was presented to the UNDP before the deadline. However, as I explain below, my examination revealed the need for some adjustments to the draft Status of Funds Statement as at 31 December 1991 which were incorporated into the audited Financial Statements.

3. This Statement includes some changes to format, compared with previous biennium. This reflects the request made by the UNDP for implementing agencies to include comparative figures from the 1988-89 biennium in their Statements for the period ending 31 December 1991. It also reflects the decision made by the FAO to discontinue providing a Director-General's report, and to provide information previously contained in that report by means of conventional notes to the Account. These changes are designed to make the Statement more useful to readers.

Audit Approach

4. The main purpose of the audit was to enable me to form an opinion as to whether expenditure recorded in 1990-91 had been incurred for the purposes approved by the UNDP; whether income and expenditure were properly classified and recorded in accordance with the instructions of the UNDP, together with the Financial Regulations of the FAO; and whether the Status of Funds Statement presented fairly the financial position at 31 December 1991.

5. My audit examination included a general review of the financial accounting systems, controls and procedures and such tests of the accounting records and other supporting evidence as I considered necessary to enable me to form an opinion on the Financial Statements. Consequently, my work did not involve a detailed review of all aspects of the budgetary and financial information systems. The audit examination included:

- a broad assessment of internal controls over income and expenditure; bank and imprest accounts; accounts receivable and payable; and supplies and equipment;

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- substantive testing of a sample of transactions for 1990 and 1991 covering all major areas of activity;

- an examination of unliquidated obligations, which is the term used to describe those items which are valid liabilities at the end of the accounting period but for which no payments have been made and which are carried forward to 1992-93; and

- a final review to ensure that the Statement accurately reflected the Organization's accounting records.

6. In order to satisfy myself that the wide ranging problems experienced with the implementation in 1990 of the new computerised financial accounting and personnel system, FINSYS/PERSYS, had not had a material impact on the 1990-91 Status of Funds Statement substantial additional work was performed by my staff. My staff checked a significantly increased number of transactions compared to the 1988-89 biennium and conducted additional reviews of areas identified as presenting higher risk of error.

7. My audit of the Statements had regard to the work of the Office of Internal Audit, Inspection and Management Control in the field and at the FAO Headquarters, particularly in respect of a number of field visits. In 1990-91 I was also able to take considerable assurance from their work for the Administration and Finance Department in remedying some of the errors and imbalances in the accounting records arising from difficulties experienced on the implementation of a new computer accounting system.

Overall Results

8. My examination revealed a number of matters which have all been dealt with by means of corrections made to the final Account. As a result of the meticulous checks of the accounting entries and the remedial action taken by the Organization to correct problems with the computerised accounting system, I conclude that there are no weaknesses or errors material to the accuracy, completeness and validity of the audited Financial Statements as a whole. Accordingly, I have placed an unqualified opinion on the Statements as at 31 December 1991, as explained in more detail in paragraphs 70 to 73.

Content of the Report

9. It is my policy to follow up the response made to previous Reports over an appropriate cycle. My observations on the action taken by the FAO in response to the recommendations and observations in my Report on the FAO Status of Funds Statement for UNDP 1988-89 are set out in paragraphs 13 to 16.

10. I have also continued with a programme of examinations as provided for by the Financial Regulations. This programme is intended to review aspects of the Organization's activities and the use of resources over an appropriate cycle. The reviews have been primarily concerned with matters of economy, efficiency and effectiveness. In 1990-91 my staff examined the way the FAO and the UNDP sought to improve the utilization of vessels available to developing countries for fisheries research, development and

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training. A summary of the main findings and recommendations arising from this review are reported at paragraphs 17 to 23. The detailed findings of the review are reported at paragraphs 28 to 48.

11. A summary of main findings and recommendations arising from my financial audit and other matters are reported at paragraphs 24 to 27. The detailed findings of the examination are reported at paragraphs 49 to 98.

12. My observations on all the matters contained in this Report were communicated to the FAO. The Organization has confirmed the facts on which my observations and conclusions are based and provided explanations and answers to my queries. In accordance with normal practice my staff communicated some other matters, not included in this Report, to the FAO Secretariat. None of these matters affected my audit opinion on the Status of Funds Statement and Schedules for the biennium.

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ACTION TAKEN IN RESPONSE TO PREVIOUS REPORTS

General

13. In accordance with my usual practice I have reviewed the action taken by the FAO in response to my previous Reports. In 1991 the FAO Conference, when discussing the audited accounts, asked the Secretariat to provide their own response to my recommendations. I have deferred my follow-up review on the main aspect of my 1988-89 Report, the Procurement of Field Equipment and Services, pending the Secretariat's response. However, my staff have reviewed a number of other matters raised in that Report.

Project Evaluations 1986-87 and 1988-89

14. My 1988-89 Report reiterated observations I made in an earlier Report on the importance I attach to the Organization maintaining a strong and independent evaluation service, to assess the design, implementation and effectiveness of projects. I recommended that procedures could be enhanced to ensure that the results of evaluation missions are widely disseminated throughout the Organization. In addition to the well established feedback through the Field Programme Committee and the high level biennial Review of Field Programmes, I welcome the Organization's decision to produce each year a synthesis of project evaluation findings. This is being produced primarily for the benefit of staff in the technical and operational Units. The first of these documents was issued in February 1992 and covered 84 UNDP funded projects evaluated in 1990. The 1991 document is expected to be issued shortly.

Financial Matters 1988-89

15. I am pleased to note that there were some improvements to the biennium-end review of unliquidated obligations. My comments on the outcome of the audit of unliquidated obligations for 1990-91, together with the adequacy of the reconciliation of the Organization's accounts with the UNDP Headquarter's records, are at paragraphs 76 to 84.

16. I welcome the improvements that continue to be made in the inventory control system and procedures, on which I commented in my last two Reports. The FAO has now introduced a new computerised inventory system, although the revised Procedures Manual has yet to be issued. My observations on inventory for 1990-91 are at paragraphs 89 to 93.

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SUMMARY OF MAIN FINDINGS AND RECOMMENDATIONS ON THE AUDIT FOR THE 1990-91 BIENNIUM

MANAGEMENT MATTERS

Fisheries Vessels used for Research, Development and Training

17. Since 1973 the FAO and the UNDP have co-operated in two projects, costing $20 million, to improve the utilization of vessels available to developing countries for fisheries research, development and training. The first project the "Fisheries Vessels Pool Agreement" provided for the FAO to manage and operate a fleet of fishing vessels on behalf of the UNDP. The second project, the "Co-operative Use of Vessels for Fisheries Research, Development and Training", required the FAO to establish a computerised database of underutilized vessels in the world fleet.

18. During 1991 my staff reviewed the Organization's involvement in these two projects, and examined the extent to which they have met their objectives and whether there are any lessons arising from their operation which can be applied in future.

On the Fisheries Vessels Pool Agreement

19. The maximum number of vessels managed by the FAO under the Fisheries Vessels Pool Agreement was 23. My staff found that some vessels were used successfully and profitably on various projects, but that the Organization's efforts to improve the utilization rate did not have the desired results. Between 1980 and 1986 the maximum number chartered in any one year did not exceed 10 vessels. In 1982 the UNDP and the Organization agreed to phase out the Fisheries Vessels Pool Agreement as the vessels were approaching the end of their economic life and many countries were acquiring their own fishing vessels.

20. The Organization sold 18 vessels, from which proceeds of $2.8 million were realised. The money was used to cover the operational costs of the fleet. A further four vessels were transferred at no cost to various government bodies. One vessel is still operated by the FAO and has yet to be sold. The Organization followed standard procedures for selling surplus equipment and these generally worked well.

21. However, in one case it was unclear whether the price paid reflected a reasonable valuation of the vessel. **I recommend that in future the Organization always seeks independent valuations of assets which are expected to realise over $25,000.** In a second case sales receipts were affected by an adverse movement in the exchange rates. **I recommend that, where practicable, all sales should be negotiated in a hard currency at a pre-determined exchange rate** (paragraphs 40 to 41).

On the Cooperative Use of Vessels Scheme

22. As intended, the Organization has established a database containing information on the global fleet for fisheries and oceanographic research, hydrographic surveys or training. However,

there are some doubts on the assessment of suitability of some of these vessels for research purposes. There have been relatively few enquiries for available vessels and only three charters have resulted.

23. I note that the Organization is investigating ways of improving the quality of the database and increasing the number of charters arranged. I welcome this because, in my view, for the Cooperative Scheme to succeed it is important that vessel details and availability are kept up to date otherwise the credibility of the Scheme will be undermined. **I also recommend that the Organization investigates the potential for the commercial exploitation of the database (paragraph 48).**

FINANCIAL AND OTHER MATTERS

24. The Organization's lengthy and meticulous check of the accounting records, together with the subsequent action taken, resolved many of the critical problems that had arisen with the implementation of the new computerised accounting system, and which had been identified by my staff in an interim management letter. The integrity of the accounting records was restored and backlogs in processing field imprest accounts, bank reconciliation work and suspense account balances were eliminated. This remedial action involved considerable staff resources, including the temporary redeployment of the Organization's staff to the problem areas and the engagement of a firm of consultants to co-ordinate the implementation of a comprehensive action plan.

25. The extensive testing performed by my staff, and additional work in areas assessed as presenting higher risks of errors, was carried out with satisfactory results, although some audit adjustments to the figures in the Statement were necessary. I also examined the figures shown on the face of the Statement, Schedules and accompanying Notes. These did not reveal any significant or unexplained variations from the figures for the previous biennium, or any differences inconsistent with my knowledge of the Organization's planned activities on behalf of the UNDP.

26. As a result I am satisfied that the computer accounting problems have not resulted in errors material to the accuracy, completeness and validity of the final audited Statement as a whole. I was therefore able to certify that the Statement of the Status of Funds was fairly presented at 31 December 1991.

27. My observations on a number of significant matters arising from the financial audit, together with other matters, are shown at paragraphs 49 to 98. The main recommendations are summarised below:

(a) I am pleased to note that the Organization conducted a series of reviews of unliquidated obligations. However, there is scope to strengthen these procedures to avoid the need for audit adjustments in future, and I recommend that extra controls are programmed into the computerised accounting system (paragraphs 76 to 78).

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(b) Reconciliations of the accounting records of the FAO with those maintained by the UNDP were not completed in a timely manner in 1990-91, mainly due to the higher priority work arising from the difficulties on implementation of a new computerised accounting system. I recommend these important reconciliations are conducted promptly in future (paragraphs 83 to 84).

(c) Audit adjustments amounting to $1.5 million to the cash balance held on behalf of the UNDP were necessary. To avoid a recurrence of such matters I recommend there should be closer management scrutiny of the draft Accounts and supporting working papers (paragraphs 85 to 86).

(d) A review of inventory records revealed that their accuracy is affected by delays in the confirmation from Field Offices of receipts or disposals and that the FAO manual sections on inventory require updating. I recommend that the status of $4.3 million of inventory classified as "transferred to governments" be reviewed (paragraphs 89 to 93).

(e) I note that a new Agreement, updating the general terms and conditions of assistance to the FAO from the UNDP, has not yet been signed. I trust that the latest text, with some amendments and adjustments proposed by the FAO, currently being considered by the UNDP will shortly be finalised and signed (paragraphs 95 to 98).

DETAILED FINDINGS ON MANAGEMENT MATTERS

Fisheries Vessels Used for Research and Development

Introduction

28. Since 1973 the FAO and the UNDP have co-operated in two projects, costing $20 million, to improve the utilization of vessels available to developing countries for fisheries research, development and training.

29. The first project the "Fisheries Vessels Pool Agreement" (hereinafter referred to as the Pool Agreement) commenced in 1973 and provided for the FAO to act on behalf of the UNDP in managing and operating a fleet of their fishing vessels. The vessels were chartered to specific fisheries development projects in developing countries. In 1982 the FAO and the UNDP decided to phase out the Pool Agreement by 1990 and sell the vessels.

30. In 1987, the second project, the "Co-operative Use of Vessels for Fisheries Research, Development and Training" (hereinafter referred to as the Co-operative Scheme) was established. This successor project required the FAO to build up a computerised database of suitable vessels in the world fleet, which could be made available to institutions in countries lacking their own specialised ships or in need of additional vessels. The build up of the database is a joint undertaking with the Inter-Governmental Oceanographic Commission.

31. My staff examined the extent to which these projects had met their objectives and whether there are any lessons arising from their operation which can be applied in future.

Objectives of the Projects

32. The long term objectives of these projects, in providing assistance for fisheries development, are similar. Under the Pool Agreement the objective was to enhance fishing research and development projects by making ships available at an affordable cost and thereby improving the utilization of the UNDP owned fleet. The successor Co-operative Scheme also seeks to support fishing research and development. However, rather than operating vessels for charter, the project was designed to make use of surplus ships from the world fleet by setting up a database of owners willing to make their under-utilised vessels available to interested governments, United Nations bodies and other institutions.

The Pool Agreement

33. The Joint Inspection Unit (JIU) of the United Nations reported in 1972 on the management of shipping in fisheries development projects. The JIU recommended that, to secure greater flexibility in the use of vessels and more efficient use of funds, the FAO should take on the fleet management responsibilities for the 68 vessels owned by the UNDP. These vessels had previously been bought by the UNDP to meet the needs of individual projects. After 1973, as the projects run by the UNDP were terminated, the vessels

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which were not required were transferred at no cost to the FAO. In 1974 the UNDP transferred 17 vessels to the FAO and by 1980 the fleet managed by the FAO comprised 23 vessels, which had originally cost the UNDP some $8 million to purchase. The remaining UNDP vessels were transferred to governments of countries where projects had been mounted or, in some cases, cancelled.

34. Under the Pool Agreement the FAO chartered vessels to projects for predetermined periods, at charges using a formula based on the replacement value and calculated to cover the costs of depreciation, maintenance, refit, transfer and lay-up charges, together with fleet management personnel costs. For most years in which the project operated expenditure exceeded receipts and these costs were met by the UNDP. In the years when receipts were greater than expenditure the UNDP received the excess income.

35. Although some charters were successful and profitable the number of charters over the period 1973 to 1990 indicates that many of the vessels lay idle for significant periods. In 1975 all 17 ships produced some charter income. However, between 1980 and 1986, the number chartered in any one year never rose above 10 vessels. From 1987 charter income was derived from only three vessels. The Organization, in an effort to improve the utilization rate, attempted to arrange some charters to private and commercial users of fishing vessels. However, this initiative did not have the desired results.

36. My staff reviewed the value of the Pool Agreement by examining individual reports for fisheries projects, which included comment on the use of vessels. My staff found that in most cases vessels had been successfully used. However there were some exceptions. In a major project carried out in East Africa the vessel chartered could not trawl to the depths scheduled in the project document due to adverse sea conditions. There were also other local trawling difficulties, and weather conditions hampered the research. In another project which made use of two vessels, the length of time the vessels were at sea was less than expected due to unforeseen breakdowns and slow delivery of spare parts. In addition one of the vessels was found to be unsuitable for conversion to the revised requirements specified towards the end of the project.

37. In 1982 the UNDP and the Organization agreed to phase out the Pool Agreement because many of the vessels were approaching the end of their economic life and could only be replaced at great expense. Furthermore many developing countries had since 1973 acquired their own national vessels to carry out marine science, fisheries research and related development activities, such that there was a reduced requirement for the Pool Agreement fleet to be maintained.

38. One of the management objectives of the Organization under the Pool Agreement was that the fleet of fisheries project vessels should be maintained and operated at minimum cost consistent with operational efficiency. Table 1 shows that over the period to 31 December 1991 a gross operational deficit of $2.6 million was incurred, which included the costs of refitting certain vessels at the outset of the Pool Agreement. After taking account, as agreed in advance with the UNDP, of proceeds from the sale of vessels there was a small surplus of $0.2 million.

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Table 1: Pool Agreement Income and Expenditure 1973-1992

▨	$ Million
Income from Chartering Vessels	16.4
Expenditure	19.0
Gross Deficit	2.6
Proceeds from Sale of Vessels	2.8
Net Surplus	0.2

Statement I of the UNDP Financial Statements includes miscellaneous income of $743,000 resulting from the sale of two vessels during the 1990-91 biennium.

39. As the vessels in the pool were owned by the UNDP, permission to sell each vessel was required before the FAO could instigate sales procedures. Once permission was granted by the UNDP the Organization's normal procedures for selling surplus equipment were followed. Tenders for each ship were sought by placing advertisements in newspapers and journals. Bids were received and opened by Internal Audit, in accordance with the Organization's procedures governing tenders for purchases and sales of equipment. In total 18 vessels were sold, generally to the highest bidder. A further four vessels were transferred, at no cost, to various government bodies. At 31 March 1992 only one pool vessel is still held by the FAO and has yet to be sold.

40. My staff found that the sales procedures generally worked well and that the FAO took all the necessary steps to ensure receipts were maximised. Problems were only encountered in two cases. In the first case, the sale of the vessel Jurong, three prospective buyers dropped out after the tender competition. One of the buyers lost a non-refundable deposit, though the others did not make any payment. The original highest bid was for $319,829 and was made in October 1990. The final winning bid was for $251,000 and was paid in September 1991. As no independent valuation of the vessel had been made my staff could not determine whether the Organization obtained maximum value for money by proceeding with the sale at a lower price. The Organization informed my staff that, whilst the procedures do not necessarily require individual items for sale to be independently valued, valuations were carried out to determine the price for the sale of most pool vessels. **I recommend where sales income is likely to exceed a certain threshold, say $25,000, independent valuations should always be sought to help determine the selling price.** The Organization informed me that for the disposal of high value second-hand equipment independent valuations are now usually undertaken.

41. The second case, the sale of the vessel Rastrelliger, illustrates the difficulty of negotiating a sales price in a local currency. The highest bid accepted allowed for payment of this amount to be made in a local currency in accordance with a tender clause which provided that payment in local currency could be made if the amount was equal to the dollar equivalent set at the United Nations rate of exchange on the closing day for tenders. A significant adverse movement in the exchange rate occurred between

the tender date and the day payment was made and, following negotiations, the UNDP accepted that the sale proceeds would be less than expected at the time of bidding for the vessel. As a result there was a shortfall in receipts of $242,000 on the sale price in dollars. **I recommend that all sales of the Organization's equipment should be not only negotiated, but whenever practicable paid in a hard currency, such as the US dollar. The payment should be made at a pre-determined exchange rate, although I recognise that difficulties may arise if a bidder withdraws in the case of a significant devaluation in the local currency.**

The Co-operative Scheme

42. Research carried out by the Organization in 1982 indicated that the most efficient way of providing continuing support for fisheries development projects to countries which do not operate their own fleet was to promote the co-operative use of vessels. The Organization therefore decided, in conjunction with the UNDP, to develop a global register of available research vessels which listed their design characteristics, on-board equipment and technical capabilities. The project involved the development and operation of a computerised database; preparing model contracts and guidelines for the charter or lease of vessels; and mediating between ship owners and prospective users in drawing up initial contracts and agreements.

43. From my staff's examination of the available data the Co-operative Scheme has not been as successful as envisaged at the planning stage. Nearly $400,000 has been spent developing the database, which contains information on about 50 per cent of the estimated global fleet of fishing research vessels 15 metres in length and above. There are currently 603 vessels on the database, only half of which are suitable for some form of fisheries research. The remainder are for oceanographic research, hydrographic surveys or training.

44. The FAO has received 65 requests for help in locating a vessel for charter. In 23 cases a suitable vessel was found on the database. This led to five cases where contract terms were negotiated. In only three of these cases were firm contracts and charters arranged. The Organization updates the demand for vessels from reports of meetings of fisheries bodies and the outcome of missions by staff and consultants. The Organization consider that, on the basis of experience to date, it is too early to mount a comprehensive exercise to assess the continuing world wide demand for vessels or such a database. The Organization informed me that they believe there is a demand for information and that there is currently an upswing in plans for donor nations to supply more research vessels to developing countries.

45. The low success rate in matching supply and demand is to a large extent beyond the control of the FAO. The list of difficulties include unseaworthy vessels and a mismatch between the requirements of suppliers and potential charterers. For the Co-operative Scheme to succeed it is important that vessel details and availability are kept up to date since otherwise the credibility of the scheme will be undermined.

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46. A recent consultant's report commissioned by the FAO advocated that the Organization should monitor more closely the prospects for matching an available vessel with a potential charterer. The consultant recommended that the FAO should consider approaching both parties involved in a charter to gain an appreciation of how successful the charter had been or why negotiations had broken down. I consider this information could be included on the database, thereby enhancing its qualitative content.

47. The Organization has taken steps to ensure that the Co-operative Scheme is brought to the attention of those who could make use of it. Project officers have a booklet about the scheme and are also aware of its existence from project reporting documents. An FAO promotional leaflet on the Co-operative Scheme was sent out to the UNDP Resident Representatives around the world in 1988. Further publicity was provided at that time by an article in Fishing News International. The current budget does not contain any provision for publicity, other than providing a leaflet on request, but I note that a recent internal review of the progress on the Co-operative Scheme included a recommendation that more publicity is required, in order to increase the potential number of requests for details of vessels available for charter.

48. The consultant's report also suggested that a token charge could be levied on potential charterers to help offset administrative costs. Though it may be considered inappropriate to charge fisheries projects operated by the FAO or other United Nations bodies, a charge could be applied to all other requests. Such a policy would be in line with the charges levied on information supplied from other databases operated by the FAO. In addition, I recommend that the FAO assesses whether the database could be commercially exploited, for instance by selling parts of it to the suppliers of fishing equipment.

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DETAILED FINDINGS ON FINANCIAL MATTERS

Implementation of a New Computerised Accounting System and External Audit of 1990-91 Accounts

Introduction

49. In 1990 the FAO implemented the final phases of a large and complex computer project. The project, known as FINSYS/PERSYS, was designed to upgrade and integrate its financial and personnel systems, enhance the timeliness and quality of management information and improve productivity.

50. In marked contrast to the Organization's previous centralised system, parts of which were almost 20 years old, FINSYS/PERSYS is a sophisticated database system comprising 16 different but integrated sub-systems. The system supports about 1000 users who now have on-line access to input transactions to the database via some 500 computer terminals located throughout the FAO Headquarters. The system allows for substantial amounts of real-time processing to ensure that the database records are updated immediately transactions are accepted in FINSYS/PERSYS.

51. The project was conceived in the early 1980s and the initial feasibility study was undertaken in 1984. The FAO envisaged that the project implementation would span three years and be carried out in three phases. Phase I involved primarily payroll activities; Phase II was mainly concerned with treasury and accounting processes; and Phase III concerned ancillary segments of the system such as travel. The FAO initially expected that all three phases of the project would be implemented by the end of 1988. However, delays in finalising the system design prevented implementation of the final phases until February 1990.

52. In addition to the delays the project suffered serious problems on implementation, with a consequential build up of critical backlogs of essential accounts work. In September 1991 the Organization informed the FAO Finance Committee that there were "a number of problems and that certain measures had been taken ... including the development of task orientated action plans, temporary assignment of in-house expert staff to the problem areas and acquisition of a new mainframe computer". This concerted management action resolved the critical problems with the FINSYS/PERSYS accounting system.

53. FINSYS/PERSYS is an integrated accounting system used to process all the Organization's financial transactions. At paragraphs 54 to 69 I set out some of the findings which directly bear on the maintenance of financial records in respect of funds provided by the UNDP.

System Implementation

54. The Organization experienced considerable technical difficulties on the implementation of the later phases of the system. It is clear from project status reports that significant units for Phases II and III were not ready to be implemented in early 1990 and that other preparations were at best only partially complete. Weaknesses identified included:

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(a) insufficient testing of the new systems;

(b) incomplete user documentation and guidance material regarding the operation of the new financial systems;

(c) a generally low level of training provided to the staff of the FAO;

(d) uncertainty regarding the capacity of the computer hardware to cope with the demands of FINSYS/PERSYS;

(e) insufficient computer programmers to maintain a system as large and complex as FINSYS/PERSYS; and

(f) a lack of fully developed controls over the security of access to the computer systems.

55. My staff have been informed that the Organization knew there were some risks attached to FINSYS/PERSYS going live but concluded that the system had to be implemented at the start of the new biennium and that the Organization, and the contractor, could not afford the additional costs involved, or maintain the momentum of the project, if implementation of the remaining phases was further delayed. The Organization contended that "the introduction of a large new system, such as FINSYS/PERSYS is always a problematic undertaking, whether in stately or private organisations, institutions or commercial companies. Smooth and trouble-free development of such systems is the exception rather than the rule". These factors, the FAO argued, presented a compelling business need to go live in 1990.

Problems Experienced on Implementation

56. An indication of the scale of the implementation problems is evident from the number of problem reports and system change requests lodged during the period April 1990 to June 1991. These technical difficulties affected all the FAO funds, not just those projects funded by the UNDP.

Table 2: FINSYS/PERSYS Problem and System Change Reports

Period Ending	Number of Reports Logged	Number of Reports Cleared	Number of Reports Outstanding at Period end
April 1990	-	-	381
June 1990	192	127	446
September 1990	353	280	519
December 1990	269	212	576
March 1991	288	226	638
June 1991	236	186	688

Note: Data refers to all activities funded by the FAO. Separate data is not maintained for the UNDP funds.

The problems caused severe operational difficulties and made the Organization's interim financial and accounting records extremely difficult to interpret. At June 1991 over half of the 688 problem reports outstanding had been assessed as requiring urgent remedial action, although only 28 were assessed as being a priority for the preparation of the all the Organization's biennial Financial Statements. Some of the most significant problems experienced in 1990-91 are outlined below.

Suspense Accounts

57. Under FINSYS/PERSYS the majority of transactions are accounted for automatically. However, if the information input to the computer is incomplete, the system may not be able to identify the appropriate general ledger account code. Such transactions are posted to suspense and clearing accounts. By the end of July 1991 the volume and value of postings to suspense or similar clearance accounts reached the unprecedented level of almost $400 million and involved over 160 different general ledger accounting codes. The large amounts in suspense meant at the time that expenditure on individual UNDP projects executed by the FAO was incompletely recorded. To overcome these difficulties a technique of netting-off associated income and expenditure suspense accounts was widely employed in the production of the Organization's unaudited interim UNDP Statement for 1990.

Processing Backlogs

58. The system problems experienced across the Organization, combined with the need for staff to become fully conversant with the new requirements and procedures, led to the build up of large processing backlogs, as set out in Table 3 below.

Table 3: Examples of Processing Backlogs at 31 July 1991

Area of Accounting Work	**Number Outstanding**
Bank Reconciliation (lines of input)	19,800
Travel Expense Claims	3,127
Invoices from Removals Agent	1,609
Monthly Field Imprest Returns	1,515
Invoices from Travel Agents	927

Note: Data refers to all activities funded by the FAO.
Separate data is not maintained for the UNDP funds.

Such backlogs were generally equivalent to almost six months workload and, in some instances, related to transactions completed over 12 months earlier. The backlogs directly affected the timeliness of payments made by or recoveries due to the FAO from outside parties and the completeness of the Organization's financial records. They resulted in delays in meeting staff travel claims or paying consultants' expenses and in recovering amounts that had been advanced but not spent by the recipient. The backlogs in processing field imprest account returns and inter-office vouchers meant that funds spent in the field on UNDP projects were not properly recorded in the Organization's main books of account and that financial reports for projects derived from FINSYS/PERSYS significantly understated expenditures.

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System Imbalances

59. The fundamental principle underlying double entry book-keeping is that the total value of debits is equal at all times to the total value of credits in the general ledger. This provides a basic control over the integrity of accounting records as any imbalance is readily identifiable and facilitates investigation of the cause of the discrepancy. The preparation of a trial balance at regular, and usually monthly, intervals therefore enables the Organization to ensure the books of account are in balance and to prepare financial reports for management purposes. During the 1990-91 biennium the FINSYS/PERSYS system generated numerous imbalances and errors in the accounting records.

(a) First, there were imbalances between figures in the general ledger which indicated the presence of incomplete and erroneous postings.

(b) Second, discrepancies between various account codes amounting to over $35 million were identified in 1990-91.

(c) Third, there were material discrepancies between the general ledger record of cash assets and the amounts recorded on the treasury sub-system.

(d) Fourth, the total amounts recorded as income or expenditure in the general ledger differed from the corresponding amounts disclosed in other financial reports.

(e) Fifth, some computerised calculations failed to work correctly and resulted in erroneous calculations of such items as programme support costs, interest on project cash balances and distributions of pooled expenses. I am pleased to note that these problems were resolved successfully before the final closure of the 1990-91 Accounts.

Data Corrections

60. The nature of the errors arising on the system, and the large volume and value of data affected, in some cases required a great deal of computer programming effort to resolve. To prevent unauthorised and incorrect adjustments to accounting records and related financial data, it is essential that proper controls are in place. Regrettably, until three quarters of the way through the 1990-91 biennium, the FAO did not impose adequate controls over the computer environment or individual programmers. My examination revealed that the nature of problems requiring correction and the outcome of the work performed was often inadequately documented. There was also a lack of evidence of any formal review of the outcome of the data corrections, and no formal sign-off by users that they had been made correctly. The Organization took appropriate action in the latter half of 1991 to remedy the weaknesses identified by my staff.

Report Facilities

61. FINSYS/PERSYS was designed as an on-line system and therefore allowed users to access directly the data held on it. The original concept also envisaged the provision of a query facility to enable

users to specify and produce ad hoc reports in addition to standard reports. However, very few users were trained in the use of this query facility and only a limited range of the standard financial reports was available.

62. As a consequence of the lack of comprehensive financial reports users faced extreme difficulties. Throughout the biennium users complained that the information displayed on-line through their computer terminals did not always agree with the information subsequently contained in computer produced reports. Key items, such as monthly financial reports and transaction listings which provide details of UNDP project expenditures, were not available until September 1990, but were considered vital to the management and control of expenditure. The absence of these reports generated a number of complaints as it meant that users could not readily identify project expenditures and posed major problems for staff operating in the field who did not have on-line access to FINSYS/PERSYS.

Closure of Accounting Period

63. The FAO produces Financial Statements based upon a two year period. Within each biennium however there are both monthly and annual accounting periods at the end of which the general ledgers are closed and the balances carried forward to the next accounting period. Each accounting period is closed automatically through the activation of specific computer programs and routines. These automated closure routines had not been fully developed or tested prior to the implementation of FINSYS/PERSYS and significant problems were subsequently encountered with the closure of the 1990 accounts.

64. Some of the problems arose from the way FINSYS/PERSYS was designed. Unlike the previous accounting system of the FAO FINSYS/PERSYS cannot safely facilitate the operation of two open accounting periods due to the high risk of mis-postings between periods. The closure of the interim 1990 accounts therefore proved extremely complicated. For instance, some errors arose when 1991 transactions were posted to the 1990 accounting period. The complete resolution of these and associated errors took several months.

Interim External Audit

65. The status of the new accounting system was kept under review by my staff during the completion of my audit of the 1988-89 Financial Statements. In August 1990 my staff wrote to the Director of Finance regarding the serious backlogs in the processing of bank reconciliation work and imprest accounts. Two further reviews were also undertaken in December 1990 and July 1991. The second of these reviews confirmed that the new financial and accounting systems were still in a state of crisis, in that key management and procedural controls over computer operations had almost completely broken down. I was particularly concerned to note that insufficient remedial action was being taken to restore the integrity and accuracy of accounting records. The results of this interim audit and the potential implications for my audit certificates were reported to the Organization in July 1991 and then set out in an interim management letter to the Director-General.

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Remedial Action

66. As the difficulties increased and complaints became stronger and more frequent, including queries raised by member governments, and other United Nations agencies, it became clear that urgent action needed to be taken if a complete systems failure was to be averted. Alerted to the seriousness of the situation by Internal Audit, the Director-General called a series of meetings of senior managers in the latter half of 1990 to discuss the problems and request immediate and concerted action. Following closely on the appointment of a new Assistant Director-General/Administration and Finance in July 1991, together with my staff's warnings, the situation was classed as an emergency. Priority was given to the production of a plan for remedial action.

67. A firm of consultants was engaged to co-ordinate the implementation of the action plan. The resources required were substantial:

(a) Redeployment of eight accountants from Internal Audit, and more than 20 staff from other areas into the treasury and accounts branches to help eliminate the processing backlogs and clear suspense accounts.

(b) Recruitment of five additional programmers to the Computer Services Division to deal with known system problems and to improve system maintenance in general.

(c) Use of temporary staff and authorization of considerable overtime.

(d) Re-assessment of annual leave plans and curtailment of leave of key members of the Administration and Finance Department.

(e) Use of consultants to provide continuing expert advice and guidance. They were also contracted to implement improved system security controls to prevent unauthorised access to the system.

(f) The leasing, with the option to purchase, of a powerful additional mainframe computer to overcome inadequate system performance.

68. To clear the vast sums held in suspense accounts, eight teams of staff were organised and each assigned a specific number of accounts to review. As the suspense account balances were cleared resources were released to other problem areas. This approach was also applied to subsequent accounting assurance work carried out in 1992. The accounting assurance work involved verifying the reasonableness of amounts recorded in the general ledger and the resolution of accounting discrepancies across all the Organization's Accounts amounting to over $35 million.

Future Developments

69. In view of the enormous problems experienced in 1990-91 it is necessary in my opinion for the FAO to conduct a comprehensive post-implementation review of FINSYS/PERSYS. As part of this review any cumbersome or inefficient procedures can be eliminated

and potential benefits identified so that they can be maximised in the future. I am pleased to note that a functional review of FINSYS/PERSYS has recently been commenced and that this will address many key areas. However, several of the underlying system problems that gave rise to the difficulties experienced in 1990-91 are still unresolved. The management of the FAO must therefore be alert for any signs that problems are building up once again in 1992-93, such that a further, and costly, emergency exercise would be necessary to produce the Financial Statements. I have recommended to the FAO a number of areas that should receive specific attention and am pleased to note the progress the Organization is making.

External Audit of the UNDP Financial Statements 1990-91

70. The comprehensive remedial action taken by the Organization involving a meticulous check of accounting entries, as set out in paragraphs 66 to 68 above, successfully addressed the critical problem areas raised in the interim management letter of August 1991. My staff carried out extensive testing and additional work in areas assessed as presenting higher risks of errors.

71. I examined the figures shown on the face of the Statement, Schedules and accompanying Notes. These did not reveal any significant or unexplained variations from the figures for previous biennium; nor any differences inconsistent with my knowledge of planned activities. However my examination of the UNDP Financial Statements 1990-91 identified a number of problems arising either directly or indirectly, from the difficulties experienced with the new computer system during the biennium. Some of the errors detected were in my view material and I therefore requested adjustments to the Statement and Schedules which were presented to me for audit on 20 May 1992. As a result of the audit adjustments I was able to certify that the Statement was fairly presented as at 31 December 1991.

72. It is apparent however, from my examination, that in 1990-91 the new system required excessive effort to maintain and that the production of a satisfactory Statement for the UNDP involved a resource intensive exercise that should not be necessary with an automated accounting system. It is clear to me that without the extraordinary measures taken by the FAO it would not have been possible to give an unqualified opinion on the Statement. Indeed, in my view, had the recovery process begun any later, or been pursued with any less vigour, it is doubtful that the FAO would have been able to prepare satisfactory Accounts.

73. A large number of transactions checked by my staff were found to be adjustments entered by the Organization's staff to correct earlier system errors and mis-postings. Although I am pleased to note that the FAO had satisfactorily identified and corrected the errors in the 1990-91 accounting records, I am concerned that the remaining underlying system problems should be resolved quickly so that the FAO can more readily produce reliable Financial Statements. A number of other matters arising from my audit are referred to below.

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Programme Support Costs

74. The FAO charges the UNDP programme support costs on the basis of total expenditures on the projects which it executes. Generally the rate charged is equivalent to 13 per cent of disbursements. The charge is intended to compensate the FAO for the administrative overheads incurred in the execution of the projects and the income is transferred to the FAO Support Cost Account.

75. Prior to the introduction of FINSYS/PERSYS programme support costs due to the FAO were calculated manually. This procedure was automated under FINSYS/PERSYS but, due to problems with the completeness of the underlying expenditure data, together with some computer programming errors, it proved necessary to attempt the calculation several times. As a result there were considerable delays in finalising the calculation of Programme Support Costs and bringing them to account. In my view it is important that the Organization routinely monitors and reviews support costs in respect of UNDP projects and I am pleased to note that steps have now been taken to ensure that such costs are calculated and brought to account at monthly intervals.

Unliquidated Obligations

76. Financial commitments which are defined as valid liabilities at the end of the biennium, but which have not been disbursed, are classed as unliquidated obligations. It is essential that the Organization regularly reviews unliquidated obligations and that those found to be invalid or no longer required are cancelled. The absence of reliable financial reports and listings for most of 1990 hindered an effective review and my staff concluded that unliquidated obligations reported in the interim Statement to the UNDP were materially overstated.

77. I am pleased to note that in response to the interim management letter the Organization conducted extensive reviews of all unliquidated obligations, including a review at the end of October 1991, in addition to the biennium end review. I note that the level of unliquidated obligations at the end of the biennium is considerably lower than in the previous biennium. Nevertheless, my staff found a number of fellowships for study not due to commence until 1992, but which were charged as unliquidated obligations in 1990-91. At my staff's request the FAO carried out a further review of unliquidated obligations relating to fellowships to confirm the validity of the balances disclosed. As a result of this review my staff sought an audit adjustment of $544,933 to cancel a number of invalid items related to fellowships.

78. I believe there is scope for further improving the review procedures in this area. The computerised database already contains the information to indicate which unliquidated obligations ought not to be accrued as expenditure. **I recommend that extra controls are programmed into the system to prevent this in future. I also consider that, in order to strengthen review procedures in future biennia, the Organization should maintain the policy adopted in 1991 of conducting a series of reviews in the second year of each biennium.**

Prior Biennium Unliquidated Obligations

79. A number of obligations were deemed invalid at 31 December 1989. At my staff's request, they were excluded from the 1988-89 audited Financial Statements. Under normal circumstances, such documents would have been cancelled from the Organization's records soon after the close of the books of account so that detailed project records remained in line with the audited Financial Statements. However, implementation problems with the new computerised accounting system, which I have described in detail in paragraphs 56 to 64, contributed to the Organization's inability to cancel these invalid obligations. The Organization informed me that many of the documents were subject to adjustment as a result of corrections to computer data in FINSYS/PERSYS described in paragraph 60.

80. The unliquidated obligations declared invalid in 1988-89 amounted to approximately $2.4 million and consisted of 251 separate items. The cancellation of these obligations, which could only be reflected by the UNDP in 1990, was recorded by the FAO in 1990 as a reduction of the opening balance of the Operating Fund.

81. During 1990-91 a number of transactions had been set against the commitments. Of the total amount involved, $1.5 million had been disbursed and $0.6 million surrendered. These items were subsequently reflected by adjusting Schedules 1 and 2 of the final audited Financial Statement. The remaining $0.3 million, which remained as an obligation at the end of the biennium, was similarly excluded from accounts payable.

82. The audited Financial Statements for both 1988-89 and 1990-91, on which I express my opinion, correctly reported the nature and amount of these adjustments. The detailed project records for those periods, however, were not adjusted. The $1.5 million disbursements was shown as expenditure in 1989 rather than 1990 or 1991. The $0.6 million surrendered was shown as a reduction to expenditure in 1990 or 1991 rather than 1989. The Organization's detailed project Financial Statements, which consolidate prior years' expenditure into one figure, are however, no longer affected by these differences in timing. The $0.3 million was recorded as expenditure in 1989 and while this has so far not been changed, the Organization has undertaken to make the appropriate adjustments to project records. I have considered the implications on my audit opinion of the Organization's failure to take the most appropriate accounting action but am satisfied, on balance, that in view of the separate disclosure made in respect of the items concerned a qualified audit opinion is not required.

Reconciliation of the FAO Accounts with the UNDP Headquarters Records

83. The Local Resident Representative for the UNDP makes payments and maintains accounting records for invoices settled on behalf of the FAO and other Executing Agencies. The Executing Agency records these payments in its accounts, and subsequently the UNDP Headquarters provides each Agency with a monthly statement, detailing all expenditure by the Resident Representatives. The Executing Agency should then reconcile this statement with its own records to ensure that they record only those charges which relate to the UNDP projects under their control.

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84. The timely reconciliation of the monthly Operating Fund Statement was hindered by many of the difficulties during the implementation of the FINSYS/PERSYS system. The Organization informed me it was unable to complete the input of inter-office vouchers containing payments made on behalf of the FAO by the UNDP Field Offices, a major requirement for the reconciliation of the Operating Fund Statement. **I recommend the Organization ensures that in future such reconciliations are completed more promptly following receipt of the monthly statement from the UNDP.** This will ensure that any queries regarding reconciling items are raised in a timely manner and thereby facilitate improved management control.

Cash at Bank

85. My examination of the Organization's cash assets identified an amount of $529,700 in respect of accrued interest that had not been correctly brought to account. The Organization adjusted the audited Financial Statements to rectify this understatement.

86. My review of the UNDP bank reconciliation work identified a long outstanding reconciling item of $1 million that was recorded by the FAO as a payment in December 1991. On further investigation the FAO discovered that the payment related to the return of excess cash holdings to the UNDP Headquarters but that, due to an administrative oversight, the payment instructions had not reached the Organization's bankers. The payment was eventually effected in April 1992 and I therefore requested the FAO to exclude this item from the 1990-91 audited Financial Statements and this has been done. **To avoid a recurrence of such matters closer management scrutiny is recommended.**

Early Closure of Field Accounts

87. As noted in paragraphs 63 and 64 FINSYS/PERSYS could not safely accommodate the operation of two open accounting periods due to the high risk of mis-postings between periods. In order therefore to close the 1990-91 Accounts and to accelerate the closure process itself, the FAO secured the co-operation of the UNDP in imposing an early cut-off date for closure of field imprest returns. Field Offices were instructed to effect all payments in respect of the activities of the FAO by 15 December 1991 and to send an extract of the summary record of inter-office vouchers by facsimile to the FAO Rome Headquarters. Any payment authorizations in respect of the activities of the FAO received by the UNDP after the December deadline were to be effected in January 1992.

88. As explained in note 3 to the UNDP Financial Statements one impact of this early closure was that $4.964 million of 1990-91 payments recorded as inter-office vouchers were not processed by the FAO. As the balance of the Organization's Operating Fund is aligned with the balance maintained independently by the UNDP, the amount concerned is included as a reconciling item posted to a sundry suspense account.

Inventory Control System

89. An inventory of non-expendable UNDP equipment is maintained at the FAO Headquarters. At 31 December 1991, the inventory was valued at $113.4 million. Items are recorded at cost price and included in expenditure for the biennium in which they were purchased. The value of equipment is referred to in Note 6 to the Accounts. On termination of a UNDP project, title to the equipment purchased by the FAO is usually transferred to the government concerned to provide continued support for the project or programme.

90. The inventory valuation at 31 December 1991 included $4.3 million for equipment items which had been excluded from the inventory valuation of $105 million made in the Director-General's report on the UNDP Status of Funds Statement 1988-89. This adjustment was made because of the continuing delays over the last 10 years in Headquarters receiving confirmation from Field Offices that the equipment had been transferred to governments.

91. These shortcomings in the inventory records have no material impact on the UNDP Status of Funds Statements. However, in order to enhance the accuracy of equipment records and improve accountability, I recommend that the Organization continue to hasten Field Office returns of inventory reports. These reports should include clarification of the status of items transferred to governments on completion of projects.

92. For UNDP Projects, 15 per cent of year end inventory Reports for 1989 and 21 per cent for 1990 were outstanding at 27 April 1992. These outstanding returns indicate that implementation of the new computerised accounting system in 1990 has facilitated more effective follow-up and control of year end inventory returns. Under the previous computerised system outstanding returns in the mid-1980s were of the order of 60 per cent per annum.

93. During 1990-91 Internal Audit carried out work on inventory records. In two field projects they examined, difficulties were experienced in verifying local inventory records. This has a consequent affect on records held in Headquarters, which are reliant upon accurate and timely information from Field Offices.

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OTHER MATTERS

Losses etc

94. I have examined with satisfactory results, details of compensation payments, ex-gratia payments, losses and writes-off to the value of $870,248 submitted to me by the Director-General with the UNDP Status of Funds Statement in accordance with the Financial Regulations. I am satisfied with the information and explanations which I have obtained about these cases and I have no observations to make. No cases of fraud or presumptive fraud have been reported to me.

Standard Basic Executing Agency Agreement

95. The Financial Regulations of the UNDP stipulate that agreements, specifying the general terms and conditions of assistance from the UNDP, should be made between the UNDP and executing agencies. The FAO has carried out its activities, on behalf of the UNDP, under the terms of an agreement reached in 1959 with the United Nations Special Fund, the predecessor of the UNDP. In the light of developments affecting the operational activities of the United Nations, the UNDP has subsequently developed a Standard Basic Executing Agency Agreement (hereinafter referred to as the Agreement), in order to update their formal relationship with all executing agencies.

96. In June 1989 the Governing Council of the UNDP requested its Administrator to enter into negotiations with executing agencies that had not at that time signed an Agreement. The Administrator was requested to finalise outstanding Agreements before the end of 1989 and, together with the executing agencies, "... to pay greater attention to the issue of accountability".

97. In 1991 the United Nations Board of Auditors noted that an Agreement between the FAO and the UNDP, together with Agreements with other agencies and bodies, had not been signed. Subsequently, the FAO Conference 1991 was informed that the FAO was negotiating with the UNDP and that an Agreement would be signed as soon as feasible. In December 1991 the United Nations General Assembly urged "... the UNDP and designated executing agencies expeditiously to conclude arrangements which would provide for appropriate accountability".

98. I note that an Agreement has not yet been signed but that a text, with some amendments and adjustments prepared by the FAO, is currently being considered by the UNDP. The Organization informed my staff that the delay in finalising the Agreement was mainly due to the need to take account of the outcome of the negotiations and discussions on the new Support Cost Successor Arrangements, which came into effect on 1 January 1992. I look forward to the Organization concluding an Agreement with the UNDP which will formalise the already existing co-operation between the two bodies in the execution of development activities funded by the UNDP.

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Acknowledgement

99. I wish to record my appreciation for the co-operation and assistance extended by the Director-General and the staff of the Organization during my audit.

John Bourn

Sir John Bourn KCB
(Comptroller and Auditor General
United Kingdom)
External Auditor

8 September 1992

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STATEMENT OF STATUS OF FUNDS ADVANCED TO THE FOOD AND AGRICULTURE ORGANIZATION BY UNITED NATIONS DEVELOPMENT PROGRAMME 1990-91

OPINION OF THE EXTERNAL AUDITOR

To: The Conference of the Food and Agriculture Organization

I have examined the following Status of Funds Statement I, Schedules 1 and 2 and Notes of the Food and Agriculture Organization as Executing Agency of the United Nations Development Programme for the financial period ended 31 December 1991 in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

As a result of my examination I am of the opinion that the Statement and Schedules present fairly the financial position at 31 December 1991 and the results of the operations for the period then ended; that they were prepared in accordance with the Organization's stated accounting policies which were applied on a basis consistent with that of the preceding financial period; and that the transactions were in accordance with the Financial Regulations and legislative authority.

In accordance with my usual practice I have also issued a long-form Report on the audit of the Status of Funds Statement, as provided for by the Financial Regulations of the Food and Agriculture Organization.

John Bourn

Sir JOHN BOURN
Comptroller and Auditor General,
United Kingdom
External Auditor

31 July 1992

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

Status of Funds as at 31 December 1991
(in US dollars)

Operating Fund	1990-1991		1988-1989	
Balance at 1 January		(28,830,638)		(17,344,576)
Add: Cash drawings from UNDP [Note 2]	201,294,784		165,298,886	
I O V's [Note 2]	216,677,367		192,921,519	
Other charges/credit (net)	(4,988,463)		(5,092,201)	
Miscellaneous income and exchange adjustments (net) [Note 3]	838,128		(704,013)	
Miscellaneous items refunded to UNDP (net) [Note 3]	(108,730)	413,713,086	55,283	352,479,474
		384,882,448		335,134,898
Less: Expenditure				
For projects				
Disbursements [Sch. 1]	333,183,927		294,462,137	
Unliquidated obligations [Sch.1]	21,438,712		27,914,075	
For programme support costs [Sch. 1] [Note 4]	45,725,612	400,348,251	41,589,324	363,965,536
Balance at 31 December		(15,465,803)		(28,830,638)
Represented by:				
Cash at banks, on hand and in-transit		14,684,530		8,075,041
Accounts receivable [Note 5]		17,209,785		7,275,335
		31,894,315		15,350,376
Less: Accounts payable [Note 5]	25,921,406		16,266,939	
Unliquidated obligations [Sch. 1]	21,438,712	47,360,118	27,914,075	44,181,014
		(15,465,803)		(28,830,638)

The amounts shown in the statements properly reflect the recorded financial transactions for the period.

Frederic A. Heim
Frederic A. Heim
Director, Financial Services Division

APPROVED:

Edouard Saouma
Director General

20 May 1992

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UNITED NATIONS DEVELOPMENT PROGRAMME.

REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT SHOWING AS AT 31 DECEMBER 1991 THE STATUS OF FUND ADVANCED TO THE UNITED NATIONS EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANIZATION BY THE UNITED NATIONS DEVELOPMENT PROGRAMME.

GENERAL

1. The Statement and the supporting schedules relating to the participation of the United Nations Educational, Scientific and Cultural Organization (UNESCO) in the United Nations Development Programme (UNDP) are in the format prescribed by UNDP. My audit of them has been carried out in conjunction with my audit of the regular programme and subsidiary funds of UNESCO.

2. My staff carried out a desk examination of 10 ongoing projects and verified whether the operations recorded complied with UNESCO and UNDP instructions regarding the budgetary procedures, expenditure recording and project implementation monitoring and evaluation. Specific reviews were made of the method of recording and processing expenditure disbursed in the field and reported by Inter-Office Voucher, and of international experts' salaries and emoluments. They also reported on recent developments concerning project management and control, including their monitoring and evaluation.

3. During the years 1990 and 1991, UNDP allocated $ 47.2 million and $ 44.1 million to UNESCO for project implementation. Actual outturn delivered amounted to $ 33.1 million and $ 32.5 million, resulting in execution rates of 70 and 74 percent respectively. As at 31 December 1991, ongoing projects numbered 339 in total : 13 projects in the phase of preparatory assistance, 257 projects fully operational, and 69 projects operationally completed; the figures include 22 projects where UNESCO acted as Associated Agency, implementing part of the project as sub-contractor. For 13 projects reported as fully operational, no allotments were issued in 1991, as implementation was interrupted or had not yet started.

4. On 8 June 1990 a new Standard Basic Executing Agency Agreement was signed with UNDP.

FINANCIAL STATEMENTS

Recording of field disbursements.

5. An analysis of the UNDP Status of funds for the years 1988 to 1991 shows that the majority of UNESCO's UNDP project expenditure is disbursed by UNDP Field Offices (83 percent of total expenditure in 1991), who report disbursements effected and credits received to UNDP Headquarters and to UNESCO monthly by Inter-Office Voucher (IOV). These documents enable UNESCO to analyse expenditure reported for the purpose of final charging to the relevant project budgets, and to reconcile this expenditure to the monthly Operating Fund Statement provided by UNDP. Over the same period, a substantial part of the reported

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IOV expenditure (9,5 percent on average) remained unanalyzed at year-end, as a result of a continuous processing backlog.

6. As the slow expenditure processing adversely affected the quality of periodic accounting and reporting data provided to project managers and to UNDP, my staff recommended to review the IOV-processing procedure in use, based on an object-of-expenditure approach and involving a large number of administrative staff.

7. The administration recognized the problem and stated that it had already actively studied the feasibility of restructuring the processing of IOVs in a centralized unit without undermining the expenditure control function. An experimental exercise to that effect corroborated this feasibility, especially if IOV-analysis were to be linked with project and UNESCO Regional Office imprest account analysis, thus providing regional specialization for the analysis and control of all field expenditure. The exercise also showed that 15 per cent of IOV-expenditure required follow-up, consultation and research, due to incomplete instructions given to UNDP Resident Representatives, erroneous expenditure coding, absence of corresponding obligations and lack of project funds.

8. An initial restructuring was effectued in January 1992, and conversion of the IOV-analysis and control function to a specialized unit has been decided. It is expected that this Unit will process expenditure more quickly, through enhanced training and clearer attribution of responsilities, while maintaining adequate control by assuring that appropriate instructions are given to UNDP Resident Representatives.

International experts.

9. A review was made of accounting and reporting data concerning UNESCO's professional staff members assigned to UNDP projects. In accordance with UNDP instructions, international experts' costs are split up into two categories; category I - costs, comprising salary items associated with service at the duty station, are charged directly to project budgets on the basis of actual costs; category II-costs, comprising salary items of a personal nature, are charged to project budgets on the basis of an average amount per workmonth performed.

10. Our verification of a sample of monthly salary calculations and payments showed that base salaries, post adjustments and employer's contributions towards pension and medical insurance were correctly calculated and posted to project accounts.

11. Category II-cost elements, comprising different allowances and entitlements, were granted and paid in conformity with the established staff Rules and Regulations. Regarding their charging to project budgets on a prorated basis per workmonth performed, it was noted that consultants' contracts, erroneously posted to experts' budget lines, equally attracted prorated monthly charges. My staff therefore recommended to adjust the expenditure control programme, in order to avoid the charging of non-payroll items to experts' budget lines.

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12. The administration agreed to this suggestion and indicated that the necessary programming adjustments would be implemented shortly.

13. With regard to the calculation of the average workmonth cost, reported to UNDP for statistical purposes (report n° 25), it was noted that the figures obtained for the average category II - cost was overstated.

14. The administration replied that the statistical variance was slight (less than 2 per cent) but agreed to adjust the calculation method used.

15. As a rule, international experts are awarded one-year contracts only, instead of contracts covering the period foreseen in the approved project budget. Partly as a result of this policy, project staff management and administration were found to be unusually heavy. My staff therefore enquired whether this policy could be reviewed in order to rationalize personnel administration.

16. The administration agreed that the one-year contract policy implied more bureaucratic work, but stated that a revision would not be opportune as the policy was in conformity with UNDP instructions issued in 1974, tending to ensure the availability of project funds for staff contracts. This policy was also reported to enhance staff management flexibility, as both the experts' and the recipient Governments' conditions can be taken into account more rapidly. Finally, termination indemnities in case of unforeseen separation could be considerably higher if contracts were awarded for a longer period.

International consultants.

17. In the course of our verification, several project managers pointed out that UNESCO does not offer competitive remuneration for international consultants to operational projects in spite of a general increase by 20 per cent in 1990-1991 and that, as a result, project implementation was delayed due to recruitment difficulties. In our sample of projects examined, we noted one case where, as an alternative, a fee contract was awarded at a substantially higher rate.

18. It was therefore recommended that UNESCO establish a clear guideline on the use of fee contracts for the hiring of personnel services for its operational projects.

19. The administration replied that resorting to fee contracts for consultancy and/or expert services should be discouraged, but stated that donor organizations and recipient governments were often primarily concerned with the efficiency of project implementation, rather than with the contractual arrangements involved.

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PROJECT MANAGEMENT

Budgetary control.

20. Budgetary control is achieved through the annualized project budget allocations and the computerized allotment ledger system. Since 1 July 1987, UNESCO applies the two-year project budgetting concept, aiming at increased implementation through enhanced flexibility between annual budget segments.

21. Ou review showed that allotments of funds based on project budgets and revisions were timely and correctly effected and reflected in the allotment ledger. Flexibility measures, i.e. the carry-over of unspent funds and bringing forward of funds for advanced inputs were used appropriately.

22. Project implementation has not substantially benefitted from the two-year budgeting concept, as implementation rates achieved in 1990-1991 (70 and 74 percent respectively) do not exceed those of previous periods.

Sectoral control.

23. The responsibility for the implementation and control of projects is delegated to specialist sectoral staff in UNESCO's secretariat. Pursuant to recent impetus given to UNESCO's decentralization policy, responsibility for a growing number of operational projects has been delegated to staff in UNESCO's Field Offices.

24. These Offices still rely on UNESCO's central administrative services for the management of operational projects : operations such as the recruitment of international staff, equipment purchases, scholarships' administration, establishment of budgets and accounts are handled at Headquarters.

25. In October 1990, UNESCO issued a comprehensive Field Staff Training Manual covering, inter alia, UNDP and UNESCO instructions regarding formulation, appraisal and approval of project documents, project implementation and supervision, and project financial administration.

Project monitoring.

26. Overall project implementation is monitored through quarterly Budgetary Status Reports on extrabudgetary operational projects. In addition, five Project Delivery Reports are mailed to UNDP and to project managers yearly. As financial reporting is computerized, these statements are up-to-date, but their quality should substantially improve further to revised field expenditure analysis procedures (paras 5 to 8 refer).

27. In order to assist project management and control, UNESCO developped the Project Management Information System (PMIS), a database providing financial and descriptive information on project data, planning, implementation and assesment. In his

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report on the financial period ended 31 December 1987, the External Auditor commented that the PMIS database was a merely potentially useful tool, as the descriptive information it contained had not been regularly updated.

28. A follow-up review conducted in 1991 showed that the situation concerning the input of updated information had not improved. My staff therefore concluded that PMIS had not developped into a useful project management tool.

29. The administration concurred with these findings and announced a number of technical improvements and instructions with a view to improving the quality and the updating of project descriptive data, as well as the utilization by all concerned of the whole range of project information made available through PMIS.

Project review, reporting and evaluation.

30. Standard project review, reporting and evaluation features for projects of a sufficient magnitude (a budget of over $ 400,000) include the yearly production of a Project Performance and Evaluation Report (P.P.E.R.) by the project manager, and the ensuing Tripartite Review Meeting of the donor Organization, the recipient Government(s) and the Executing Agency. Upon termination of the project, a comprehensive terminal report is to be submitted.

31. Projects with a budget of $ 1.000.000 or more are subject to external mid-term and/or terminal evaluations. During the biennium, 14 UNDP projects were evaluated in conformity with the UNDP guidelines and requirements. Analysis of the 1990-1991 evaluation reports has been undertaken by the Central Programme Evaluation Unit with a view to proposing practical measures to improve project design, implementation and evaluation.

32. In the period 1990-1991, UNESCO experienced problems with respect to the submission of Project Performance Evaluation Reports and terminal reports. Delays encountered were attributed to national project managers' lack of familiarity with UNDP reporting procedures and formats. Terminal reports received were considered to be of a declining quality, with a tendency to be descriptive rather than analytical.

33. Measures proposed to redress the situation included more rigourous briefing of experts and accelerated training with respect to monitoring and evaluation techniques. UNESCO also recognized the need for systematic programme-level evaluations, subject to the earmarking of sufficient funds thereto. It is envisaged that the first will be an Impact Evaluation of UNESCO's contribution to the UNDP Fifth Country Programming Cycle.

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SUMMARY OF FINDINGS AND CONCLUSIONS

34. Slow processing of field expenditure reported by Inter-Office Voucher adversely affected the quality of financial reporting data on projects. Adequate measures to rationalize the organizational structure and working methods involved were initiated.

35. International experts' costs are adequately controlled, accounted and reported by UNESCO. Minor adjustments to the computerized budgetary control system and to statistical reports were agreed to.

36. The policy of awarding one-year contracts to international experts renders staff administration more difficult, but appears to be in line with the specific circumstances of the operational project environment.

37. UNESCO should determine a clear and uniform approach towards the use of fee contracts for obtaining international experts' or consultants' services.

38. Increased budgetary flexibility apparently did not enhance project delivery.

39. The Field Staff Training Manual issued should contribute to improve project management capabilities in UNESCO's Field Offices.

40. Effective project management monitoring and evaluation could improve through a more efficient use of the information database concerned and through more rigourous briefing and training of national project managers.

41. UNESCO recognizes the need for programme-level evaluation, currently awaiting the earmarking of sufficient funds.

ACKNOWLEDGEMENT

42. I wish to record my appreciation for the cooperation and assistance extended by the officers of the Organization.

10 July 1992

Jeroom L.E. Van de Velde

Senior president of the
Court of Audit, Belgium

External Auditor

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CERTIFICATION OF FINANCIAL STATEMENTS

The appended Status of Funds Statement I and Schedules 1 and 2 are

Certified correct

For the Comptroller
D. Ruiz de Angulo
Deputy Comptroller

Approved

Federico Mayor
Director-General

AUDIT OPINION

The appended Status of Funds Statement and supporting Schedules for the two-year period ended 31 December 1991 have been examined in accordance with my directives. As a result of the examination, I am of the opinion that the Statement and Schedules fairly present the financial position at 31 December 1991 and the results of the transactions for the period then ended.

Brussels, 14 April 1992

Jeroom L.E. Van de Velde
Senior President of the
Court of Audit, Belgium

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Statement I

UNITED NATIONS DEVELOPMENT PROGRAMME
(UNESCO)
Status of Funds for the two-year period ended 31 December 1991
(Expressed in US dollars)

Operating Fund		
Balance at 1 January 1990		(7,120,614)
Add:		
Cash drawings from UNDP	40,007,848	
IOVs	54,202,419	
Other charges/credits (net)	(15,630,748)	
Miscellaneous income and exchange adjustments (net) (note 4)	36,717	
Miscellaneous items refunded to UNDP (net) (note 4)	360,304	
		78,976,540
		71,855,926
Less:		
Expenditure during 1990/1991		
For projects		
Disbursements (Schedule 1)	55,054,634	
Unliquidated obligations (Schedule 1)	10,588,309	
For programme support costs (Schedule 1)	8,432,166	
		74,075,109
		(2,219,183)
Represented by:		
Cash at banks, on hand and in transit	1,564,770	
Accounts receivable (Note 3 (i))	9,682,851	
		11,247,621
Less:		
Accounts payable (Note 3 (ii))	2,878,495	
1991 Unliquidated obligations (Schedule 1)	10,588,309	
		13,466,804
Balance at 31 December 1991		(2,219,183)

INTERNATIONAL CIVIL AVIATION ORGANIZATION

UNITED NATIONS DEVELOPMENT PROGRAMME

NOTES TO THE STATEMENT OF THE STATUS OF FUNDS

(STATEMENT IX)

31 DECEMBER 1991

1. NATURE OF ACTIVITIES

1.1 Under the United Nations Development Programme (UNDP), the execution of projects related to civil aviation, financed by UNDP, is delegated to the International Civil Aviation Organization (ICAO).

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Method of Accounting

The Statement of the Status of Funds has been prepared in accordance with the format and directives prescribed by UNDP. The accounts of ICAO are recorded in United States dollars. Transactions and account balances in other currencies are converted into United States dollars at the United Nations operational rates of exchange.

(b) Expenditure for Projects

Expenditure includes disbursements and unliquidated obligations for which funds have been provided in approved project budgets in the current year. Expenditure is accounted for as follows:

- for experts:	on the basis of services rendered to the end of the year;
- for equipment:	on the basis of purchase orders or signed contractual agreements issued to the end of the year;
- for training:	on the basis of the costs incurred for fellowships to the end of the year;
- for sub-contracts:	on the basis of the payment schedule included in the contract with the sub-contractor;
- for miscellaneous:	on the basis of issuance of authorization to pay for miscellaneous goods or services delivered or for which firm orders have been placed for delivery in the current year.

(c) Programme Support Costs

Programme support costs are calculated on project expenditure on a basis determined by UNDP.

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AUDIT OPINION

To the Assembly
International Civil Aviation Organization

I have examined the Statements of the Status of Funds of the International Civil Aviation Organization as Executing Agency of the United Nations Development Programme, Statements IX and X and relevant schedules, for the financial period ended 31 December 1991. My examination was made in accordance with generally accepted auditing standards, conforming with internationally recognized auditing guidelines and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency, and accordingly included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

As a result of the examination, I am of the opinion that these Statements of the Status of Funds properly reflect the recorded financial transactions for the financial period, which transactions were, in all significant respects, in accordance with the Financial Regulations and Rules of the United Nations Development Programme and legislative authority, and present fairly the financial position of the Funds as at 31 December 1991, in conformity with the accounting policies described in Note 2 to the Statements applied on a basis consistent with that of the preceding financial period.

Additional information and comments on the statements and this opinion are included in the observations in my long form report reproduced on pages 62 and subsequent.

L. Denis Desautels, FCA
(Auditor General of Canada)
External Auditor

Montreal, Canada
15 May 1992

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STATEMENT IX

INTERNATIONAL CIVIL AVIATION ORGANIZATION

UNITED NATIONS DEVELOPMENT PROGRAMME
STATEMENT OF THE STATUS OF FUNDS
AS AT 31 DECEMBER 1991
(in United States dollars)

	1991		1990	
OPERATING FUND				
Balance at beginning of year		(8 043 218)		(7 844 024)
Add:				
Cash drawings from UNDP	27 209 485		25 288 115	
Inter-office vouchers	13 348 782		12 458 138	
Other charges/credits (net)	(243 793)		(180 603)	
Miscellaneous income and exchange adjustments	(217 868)		139 327	
Miscellaneous items charged/refunded to UNDP	2 920	40 099 526	(2 317)	37 702 660
		32 056 308		29 858 636
Deduct:				
Expenditure during the year (Schedules H,I,J)				
For projects				
Disbursements	27 662 025		26 287 814	
Unliquidated obligations	4 287 308		7 381 710	
For programme support costs	4 043 190	35 992 521	4 232 330	37 901 854
		(3 936 213)		(8 043 218)
Add:				
Adjustment to prior year's expenditure		147 226		
Adjustment to prior year's programme support costs		19 139		
Balance at end of year		(3 769 848)		(8 043 218)
REPRESENTED BY:				
Cash in banks, on hand and in transit		2 101 547		(238 754)
Due from other Funds:				
AOSC Fund	138 867		307 600	
ICAO General Fund	147 218		601 507	
ICAO Aviation Security Trust Fund	31 541		54 079	
ICAO Other Funds	21 716		12 212	
Governments' Trust Fund accounts	560 412		369 494	
UNDP Administered Trust Funds	56 580	956 334	29 783	1 374 675
Accounts receivable and sundry debit balances		1 750 661		1 766 393
		4 808 542		2 902 314
Less:				
Due to other Funds:				
ICAO Other Funds			23 909	
Governments' Trust Fund accounts	244 009		47 727	
UNDP Administered Trust Funds	1 367	245 376	501	72 137
Accounts payable and sundry credit balances		4 045 706		3 491 685
Unliquidated obligations - current year		4 287 308		7 381 710
		8 578 390		10 945 532
		(3 769 848)		(8 043 218)

Certified correct:

O. Tayar
Chief, Finance Branch

Approved:

P. Rochat
Secretary General

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UNITED NATIONS DEVELOPMENT PROGRAMME

WORLD HEALTH ORGANIZATION

Statement I

Status of funds for the financial period 1 January 1990 - 31 December 1991

(expressed in US dollars)

	1988-1989		1990-1991	
OPERATING FUND				
Balance at 1 January 1988 and at 1 January 1990		(1 493 078)		(1 884 003)
Add: Cash drawings from UNDP	36 164 276		42 700 000	
Inter-office vouchers	12 183 425		13 145 981	
Other charges (net)	(3 658 698)		1 263 489	
Miscellaneous income and exchange adjustments (net)	(70 215)		(148 302)	
Miscellaneous items refunded to UNDP (net)	53 212	44 672 000	101 071	57 062 239
		43 178 922		55 178 236
Deduct: Expenditure during 1988-1989 and 1990-1991 (Schedule 1)				
Projects (Schedule 2)				
Disbursements	31 928 488		43 047 723	
Unliquidated obligations	8 535 057		7 738 478	
	40 463 545		50 786 201	
Programme support costs	4 599 380	45 062 925	5 869 931	56 656 132
Balance at 31 December 1989 and 31 December 1991 (due to WHO)		(1 884 003)		(1 477 896)

Annex: Statement of accounting policies.

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UNITED NATIONS DEVELOPMENT PROGRAMME

WORLD HEALTH ORGANIZATION

CERTIFICATION OF FINANCIAL STATEMENTS

The foregoing status of funds statement and supporting schedules 1 and 2 are approved.

John E. Morgan
Chief, Accounts

Edward E. Uhde
Director, Budget and Finance

OPINION OF THE EXTERNAL AUDITOR

To the World Health Assembly

I have examined the foregoing Status of Funds Statement I and Schedules 1 and 2 of the World Health Organization as Executing Agency of the United Nations Development Programme for the financial period ended 31 December 1991, in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

As a result of my examination I am of the opinion that the Statement and Schedules present fairly the financial position at 31 December 1991 and the results of the operations for the period then ended; that they were prepared in accordance with the stated accounting policies which were applied on a basis consistent with that of the preceding financial period; and that the transactions were in accordance with the Financial Regulations and legislative authority.

I have no observations to make on these financial statements.

Sir John Bourn
(Comptroller and Auditor General, United Kingdom)
External Auditor

Price Waterhouse
(International Firm)
The Hague
London
New York
Tokyo
Washington

Price Waterhouse

REPORT OF INDEPENDENT ACCOUNTANTS

April 24, 1992

To the International Bank for Reconstruction
and Development and the Board of Auditors
of the United Nations

We have audited the accompanying statements of Status of Funds (Statement I), Expenditures by Source of Funds (Statement II) and Expenditures by Country (Statement III) for certain United Nations Development Programme projects for which the International Bank for Reconstruction and Development (the Bank) acts as Executing Agency for the year ended December 31, 1991. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared in accordance with the format and accounting practices prescribed by the United Nations Development Programme and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the status of funds and expenditures of the International Bank for Reconstruction and Development as Executing Agency for certain United Nations Development Programme projects as of December 31, 1991 and for the year then ended, on the basis of accounting described in Note 2.

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This report is intended solely for the International Bank for Reconstruction and Development for filing with the United Nations Development Programme and other interested parties and should not be used for any other purpose.

Price Waterhouse
(International Firm)

THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AS EXECUTING AGENCY FOR CERTAIN UNITED NATIONS DEVELOPMENT PROGRAMME PROJECTS

REPORT ON THE NATURE AND SCOPE OF AUDIT AND OTHER SERVICES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 1991

PART I - NATURE AND SCOPE OF AUDIT SERVICES PERFORMED

Report Considerations

We have completed our audit of the financial statements for certain United Nations Development Programme (UNDP) projects for which the International Bank for Reconstruction and Development (the World Bank) acts as Executing Agency (hereafter referred to as "the UNDP projects"). As a result of our audit, we are of the opinion that such financial statements present fairly, in all material respects, the status of funds and expenditures of the organization for the year ended December 31, 1991 on the basis of accounting discussed below. Accordingly, we issued our audit report dated April 24, 1992 on these financial statements.

Our audit report on the 1991 UNDP project financial statements constitutes a special report which conforms with Statement on Auditing Standards No. 62 issued by the American Institute of Certified Public Accountants for financial statements prepared on a basis of accounting prescribed by a regulatory agency solely for filing with that agency. Our report is appropriate as the United Nations requires the World Bank to utilize the accounting practices (described below) which differ from generally accepted accounting principles.

We noted no significant differences in the financial statement format, or any significant changes in accounting procedures from the prior year. In accordance with the instructions received from the UNDP, the Bank has used the delivery method to account for all transactions. Under the delivery method, expenditures are recorded as services are performed or as goods are received, except those related to equipment purchases which have been accounted for under the commitment method which requires that obligations be accrued on the basis of purchase orders.

We conducted our 1991 audit in accordance with generally accepted auditing standards. These standards require that we: (a) perform a study and evaluation of the existing internal controls to determine the extent to which we can rely on the controls to provide assurance as to the validity of the recorded transactions or balances, and (b) obtain sufficient competent evidential matter through inspection of the accounting records and underlying documentation, observation, inquiries, analytical reviews and confirmations to afford a reasonable basis for an opinion regarding the financial statements.

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The World Bank utilizes many of its own personnel and the procedures (including automated systems) to process the accounting information for the UNDP projects. Examples include bank reconciliation personnel and the procedures they perform. Since these procedures and the related controls were tested to our satisfaction during our audit of the World Bank, our scope of testing on the UNDP projects has been adjusted appropriately in order to minimize fees and duplication of effort.

Consideration of the Internal Control Structure

In planning and performing our 1991 audit of the financial statements of the UNDP projects, we considered the World Bank's internal control structure underlying such financial statements in order to determine our auditing procedures for the purpose of expressing our opinion on financial statements of the UNDP projects and not to provide assurance on the internal control structure. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Our consideration of the World Bank's internal control structure underlying the financial statements for the UNDP projects was more limited than would be necessary to express an opinion on the internal control structure taken as a whole.

The management of the World Bank is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are recorded properly to permit the preparation of financial statements in accordance with UNDP accounting policies and procedures.

Audit Approach by Audit Area

Cash

At December 31, 1991, there were five cash accounts that the World Bank maintained for administering UNDP projects located around the world. Our audit effort in this area centered around confirmation and reconciliation of these accounts. All accounts were confirmed. Testing of the bank reconciliations for all accounts selected was also performed and consisted of the following procedures:

- Comparison of bank balance per each reconciliation with the balance confirmed by the bank.

- Agreement of the book balance per the reconciliation to the general ledger.

- Agreement of any deposits in transit to deposits reported on subsequent bank statements.

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- Examination of significant ledger credits shown as outstanding at December 31, 1991 per the reconciliation, noting in all cases that these were subsequently debited by the bank.

- Recalculation of the translation of funds expressed in currencies other than U.S. dollars, into U.S. dollars at year-end based on the exchange rates supplied by the UNDP.

- Investigation of all significant reconciling items.

For cash drawings, we performed detail testing including the recalculation of gain or loss on exchange on remittances selected on a systematic basis. Items listed as cash in-transit were tested by reviewing subsequent receipts.

Accounts Receivable and Other Assets

We reviewed all significant account balances at year-end through a combination of analytical review procedures, observation of subsequent receipts and review of supporting documentation which included tracing of corresponding balances from the vouchers to subsidiary ledgers and vice-versa. In addition, the receivable from the World Bank was agreed to the World Bank's books at December 31, 1991.

Accounts Payable and Unliquidated Obligations

We reviewed all project accruals at December 31, 1991 which exceeded $120,000. Our testing included the review of supporting documentation (review of invoices for those that were still unpaid at the date of our examination).

On an aggregate basis, payables to the World Bank were matched to respective receivables on the World Bank's books at December 31, 1991. In addition, a subsequent events review and a search for unrecorded liabilities was performed through our report date.

Allocations

The UNDP makes contributions, or authorizes them to be made, toward the cost of projects. Allocations are recorded in the accounts on the basis of written notification from the UNDP. For all new projects with current year allocations in excess of $700,000, we performed the following audit procedures:

- Agreement of allocations to project documents and other budget related documentation and correspondence maintained by project coordinators.

- Review of proper approval on all project documents and budget revisions of both UNDP and World Bank officials.

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- Inquiry of project coordinators regarding the nature, status and other relevant information surrounding each project.

For all existing projects which had an increase or a decrease in allocations during the current year from the prior year in excess of $1,000,000, we performed the following audit procedures:

- Agreement of the reported increase or decrease to project and other budget related documents and to other relevant correspondence maintained by project coordinators.

- Inquiry of project coordinators on the status of each selected project.

- Review of approval on all project documents and budget revisions by both UNDP and Bank officials.

- Agreement of allocations and disbursements to subsidiary ledgers.

Government counterpart contributions were summarized and tested as considered necessary. These contributions are made directly through the UNDP. Direct deposits were tested in connection with our cash testing and contributions made through UNDP were tested along with the other allocations.

Disbursements

We expend a significant amount of audit effort in this area due to the complexity of the disbursement system used in connection with UNDP projects at the World Bank. Disbursements are also material to the financial statements. We performed extensive testing to establish whether internal controls could be relied on for audit testing. We judgmentally selected 32 disbursement vouchers for key attribute testing. For each voucher, the following audit procedures were performed:

- Review for proper support, appropriate approval and correct distribution by project and general ledger account.

- Recalculation of the translation into U.S. dollars for those vouchers disbursed in currencies other than U.S. dollars.

We selected all UNDP projects which had current year disbursements in excess of $700,000 (or U.S. dollars equivalent) for comparison to budget. The following audit procedure was performed:

- Comparison of total budget and allocations to the sum of prior and current years' disbursements, obtaining explanations for any overruns noted.

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We also reviewed the World Bank's computation of agency overhead cost (which is generally based on 11% of actual disbursements) noting that only the appropriate disbursements were charged with overhead.

We also tested the World Bank's Summarization of Expenditures by Country report (the "summarization"), by performing the following procedures:

- Preparing a schedule grouping allocations, disbursements and accruals by project and country for the year, and agreeing total disbursements for each country, less total accruals, to disbursement amounts per the UNDP projects listing, and total accruals for each country to unliquidated obligations per the UNDP listing. This summarization appears in the 1991 financial statements covered by our report.

General

Additionally, we performed the following audit procedures:

- Confirmation of the balances per the final UNDP Operating Fund Statement (OFS) from the UNDP.
- Review of the reconciliation of the final OFS to the general ledger and review of all reconciling items with appropriate World Bank accounting and finance officials.
- Obtainment of a representation letter from World Bank Trust Fund management and inquiry of management regarding their responsibility for the fair presentation of the financial statements.
- Performance of a subsequent events review through our report date.
- Review of correspondence between the World Bank and the UNDP that might have financial statement significance.
- Performance of analytical procedures for each line item of the financial statements; and
- Review of the financial statements for the UNDP projects at December 31, 1991 for proper presentation and disclosure.

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PART II - OTHER SERVICES PROVIDED

Review of Selected Projects

In addition to the work performed in connection with the UNDP audit, we reviewed a selection of six UNDP projects administered by the World Bank in order to determine whether:

1) The World Bank's procurement procedures were followed;

2) Project progress reports were submitted to UNDP on a timely basis;

3) The World Bank's follow-up procedures in connection with problems noted in the progress reports were adequate;

4) Project expenditures were within budgeted amounts; and

5) Project was progressing as planned.

The projects selected for review were chosen from Africa. Our selection is designed to ensure that different projects are evaluated from year to year. Our review included detailed discussions with the World Bank's project staff located in Washington, D.C. responsible for the UNDP projects. We also reviewed the project files including project documents and related correspondence.

The projects selected for review are KEN/87/017, Kenya, Modernization of Kenya Tax System; NIR/87/011, Nigeria, Rural Water Supply and Sanitation; UGA/87/008, Uganda, Assistance to Economic Planning and Aid Coordination; RAF/85/014, Regional, Program for Strengthening Training Institutions in Africa; RAF/87/049, Regional, Water Supply for Low-Income Communities; and RAF/87/030, Regional, Sub-Saharan Africa Hydrological Assessment. The results of our review are summarized in the following sections.

Modification Of Planned Approach

In our 1987 report and in subsequent correspondence with UNDP, we indicated that we anticipated performing several on-site reviews of UNDP financed projects as administered by the World Bank. We had agreed to perform such site visits to evaluate managerial and operational efficiency, resulting effects on delivery, corrective actions, and additionally to provide comments of an overall nature concerning the management of UNDP projects.

Subsequently, based on discussions with the IAD and the Trust Funds Division regarding the nature and scope of our involvement in connection with the on-site reviews, we agreed to postpone any visits by us to consulting contractors and/or project locations. This decision was consistent with prior years due to the apparent duplication of effort that our involvement in on-site reviews would have implied considering the IAD work in this area. In this regard, we

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believe that the UNDP and the World Bank should agree on the nature and scope of the involvement that is expected from external auditors in connection with the performance of on-site reviews. We also wish to express our willingness to participate in the determination of an appropriate on-site work program.

Review of Procurement Procedures

All of the six projects reviewed included procurement of either consultants, experts/fellowships and/or equipment. In all of the projects reviewed, the procurement procedures noted were in accordance with the World Bank's guidelines or deviations were explained to our satisfaction.

In the projects involving the procurement of consultants, project management may decide to approach a single firm of its choice in the event that the firm has a) expertise not widely available, b) close associations with similar projects, and/or c) an established working relationship with project management. When a single firm is not approached, the Bank's guidelines for procurement include the establishment of selection criteria and a selection committee, the preparation of a list of qualified consultants with an adequate letter of invitation sent to each firm, the review of all proposals submitted, and the negotiation of a final contract. In projects involving the procurement of experts/fellowships, the guidelines include the selection and approval of the expert/ fellowship by the country and the World Bank. In projects involving the procurement of equipment, the guidelines include the use of international competitive bidding or the use of the World Bank's procurement department.

Review of Progress Reports

Five of the six projects reviewed reported progress in the standard UNDP format. The remaining project reported progress through annual program reports due to the regional nature of the work performed. This project was not specifically required to submit a progress report in UNDP format.

Review of Problem Follow-up

In the projects where problems were noted in the progress reports the follow-up procedures performed by the World Bank appeared to be adequate. The World Bank had taken steps to address the problem noted in the progress report. No problems of significance were noted that would threaten the continuation of the project.

Review of Budgets

In all cases, actual cumulative expenditures fell within total project budgeted expenditures (original or revised). In addition, we noted that actual current year expenditures were within budgeted expenditures for 1991.

Project Findings

KEN/87/017 - Kenya, Modernization of Kenya Tax System

- Consultants have been retained and equipment has been procured within World Bank guidelines;
- Although there are no established reporting deadlines for this project, progress reports have been submitted on an annual basis. All reports other than the most recent assessment were prepared in the standard UNDP format. In lieu of the standard progress report prepared by project management, the most recent evaluation was prepared by three independent experts to assess the project's outputs through its first phase;
- Cumulative and 1991 expenditures are within the established project budgets; and
- The project has progressed satisfactorily and substantially as planned in the project document.

NIR/87/011 - Nigeria, Rural Water Supply and Sanitation

- Consultants have been retained and equipment has been procured within World Bank guidelines;
- Progress reports have been submitted in accordance with the required time frame and in the proper format;
- Cumulative and 1991 expenditures are within the established project budgets; and
- The project has progressed satisfactorily and substantially as planned in the project document.

UGA/87/008 - Uganda, Assistance to Economic Planning and Aid Coordination

- Consultants have been retained and equipment has been procured in accordance with World Bank guidelines;
- Cumulative and 1991 expenditures are within the established project budgets;
- Progress reports have been submitted in accordance with the required time frame and in the proper format; and
- The project has progressed satisfactorily and the final report is expected to be prepared upon completion of the project in 1992.

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RAF/85/014 - Regional, Program for Strengthening Training Institutions in Africa

- Consultants have been retained and equipment has been procured in accordance with World Bank guidelines;
- Cumulative and 1991 expenditures were within budgeted expenditures;
- Progress reports have been submitted annually in the proper format although the project document states that progress reports should be prepared on a semi-annual basis; and
- A final report was prepared for this project in October 1991 in preparation for the Annual Meeting. An addendum to the final report will be issued to cover the final period of the project from October to December 1991. A second phase of the project has since been negotiated to continue the activities of the original project.

RAF/87/049 - Regional, Water Supply for Low - Income Communities

- Consultants have been retained and equipment has been procured in accordance with World Bank guidelines;
- Progress reports have been submitted in accordance with the required time frame and prepared on a program report basis due to the regional nature of the project's activities;
- Cumulative and 1991 expenditures are within budgeted expenditures; and
- The project's final report is expected to be completed by September 1992.

RAF/87/030 - Regional, Sub - Saharan Africa Hydrological Assessment

- Consultants have been retained in accordance with World Bank guidelines. There were no equipment procurements during the year;
- Progress reports have been submitted in accordance with the required time frame and in the proper format;
- Cumulative and 1991 expenditures are within budgeted expenditures.
- The project has progressed satisfactorily and its duration has been extended to 1993.

August 31, 1992
Washington, D.C.

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
EXECUTING AGENCY: INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
STATUS OF FUNDS
AS AT DECEMBER 31, 1991
(Expressed in U.S. dollars)

Operating Fund

Balance as of January 1, 1991			$(6,992,855)
Add:	Cash drawings from UNDP	$86,845,000	
	Inter-office voucher charges	6,859,481	
	Prior years' unprocessed items	971,443	
	Other charges	(445,922)	
	Government contributions	72,547	
	Settlement of agency billings	(411,922)	
	Transfer of project expenditures incurred by associated agencies	(11,301,260)	
	Miscellaneous income and exchange adjustments	210,918	
	Miscellaneous items charged to UNDP	(71,989)	82,728,296
			75,735,441
Deduct:	Current year expenditures		
	For projects		
	Disbursements	67,360,680	
	Unliquidated obligations	10,268,294	
	For programme support costs	8,144,842	
	For additional support costs	28,000	85,801,816
Add:	Adjustment to prior years' expenditure	89,880	
	Adjustment to prior years' programme support costs	9,887	99,767
Balance as of December 31, 1991			$ (9,966,608)
Represented by:			
Cash and investments		7,298,796	
Accounts receivable		4,112,300	$11,411,096
Deduct:	Accounts payable	11,109,410	
	1991 Unliquidated obligations	10,268,294	21,377,704
			$ (9,966,608)

The accompanying notes are an integral
part of these financial statements.

/...

Price Waterhouse

REPORT OF INDEPENDENT ACCOUNTANTS

April 24, 1992

To the International Bank for Reconstruction
and Development, acting for and on behalf of the
International Finance Corporation as Executing
Agency for Certain Projects of the United Nations
Development Programme

We have audited the accompanying statements of Status of Funds (Statement I), Expenditures by Source of Funds (Statement II) and Expenditures by Country (Statement III) for Certain Projects of the United Nations Development Programme, for which the International Bank for Reconstruction and Development (the Bank) acts for and on behalf of the International Finance Corporation (the IFC) as Executing Agency, for the year ended December 31, 1991. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared in accordance with the format and accounting practices prescribed by the United Nations Development Programme and are not intended to be a presentation in conformity with generally accepted accounting principles.

/...

In our opinion, the financial statements referred to above present fairly, in all material respects, the status of funds and expenditures of certain projects of the United Nations Development Programme, as executed by the International Finance Corporation, as of December 31, 1991 and for the year then ended, on the basis of accounting described in Note 2.

This report is intended solely for the Bank, the IFC, and the United Nations Development Programme and other interested parties and should not be used for any other purpose.

Price Waterhouse
(International Firm)

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
EXECUTING AGENCY: INTERNATIONAL FINANCE CORPORATION
STATUS OF FUNDS

December 31, 1991
(in U.S. dollars)

Operating Fund

Balance at January 1, 1991			$ (7,063,770)
Add:	Cash drawings from UNDP	$13,000,000	
	Inter-office voucher charges	115	
	Other charges	8,781	
	Transfer of project expenditures incurred by associated agencies	11,891,033	
	Prior year's Unprocessed Items	(265,961)	
	Miscellaneous income and exchange adjustments	144,489	24,778,457
			17,714,687
Deduct:	Current year expenditures		
	For projects		
	Disbursements	9,589,824	
	Unliquidated obligations	776,606	
	For programme support costs	1,141,343	11,507,773
Balance at December 31, 1991			$6,206,914

Represented by:

Cash and investments		$ 6,765,888	
Accounts receivable		1,877,032	8,642,920
Deduct:	Accounts payable	1,659,400	
	1991 Unliquidated obligations	776,606	2,436,006
			$ 6,206,914

The accompanying notes are an integral part
of these financial statements.

/...

Translation from French

Swiss Federal Audit Office
942.0.1.13/91
E1

3003 Berne, 24 April 1992

UNIVERSAL POSTAL UNION, BERNE

ACCOUNTS OF TECHNICAL COOPERATION PROJECTS OF THE UNITED NATIONS DEVELOPMENT PROGRAMME

Financial year 1991

External Auditor's report

/...

TERMS OF REFERENCE

1 In accordance with article 37 of the Financial Regulations of the Universal Postal Union (UPU) and article XVII of the Financial Regulations and Rules of the United Nations Development Programme (UNDP) and in compliance with article XI, paragraph 3, of the Agreement concluded in 1990 between the UNDP and the UPU, I have, as External Auditor appointed by the Government of the Swiss Confederation, examined the technical cooperation project accounts kept in United States of America dollars, drawn up at 31 December 1991.

2 In performing my duties, I was assisted by several qualified colleagues from the Federal Audit Office.

3 I should like to express my appreciation of the helpfulness shown by all the UPU International Bureau (IB) officials who were called on to provide the information and documents I required to carry out my task.

4 During our audit, my assistants had regular talks with Mr M Mazou, Assistant Director-General and Head of the Technical Cooperation Division, and Mr G Beney, Senior Counsellor and Head of the Finance Section. Mr J Ascandoni, Deputy Director-General, was kept informed of the problems encountered during the final audit of the accounts.

AUDITS AND OBSERVATIONS

General

5 The work was conducted in conformity with the usual standards generally accepted in this field, in compliance with the additional terms of reference attached to the UPU Financial Regulations and in accordance with the rules issued by the UNDP. In so far as they applied to our audit, the auditing guidelines adopted by the Panel of External Auditors of the United Nations were followed.

6 Our audits by sampling dealt with the accounting of the movements relating to the "Indicative Planning Figures (IPF)" and "Special Programme Resources (SPR)" allocations, expenditure and proceeds for the financial year and liquid funds. The correctness of the items appearing on the financial statements at 31 December 1991 (Statement I, Schedules 1A and 2) was checked, and the balances of the various cash accounts at that same date were compared with those given in the statements or certificates issued by the depositaries. All other assets and liabilities were examined. A comparison could not be made between the financial statements and the latest UNDP document (OFS 91-12) at 31 December 1991 since that document was still unavailable at the time of the audit of the accounts (see paragraphs 9 and 10 below).

Book-keeping

7 As in the two previous financial years, the books were not always kept up to date in 1991. Accounting errors were noted, and these will be corrected in 1992. Also, various transactions will have to be recorded in the "Petty cash", "Advances on mission costs", "Accounts receivable" and "Accounts payable" accounts as part of the follow-up action I asked the UPU IB to undertake.

IPF and SPR allocations

8 The officials in charge assured me that the few discrepancies noted between the allocations from the UNDP (Status of Allocation by Agency) and those recorded by the UPU IB would be regularized in 1992.

/...

Operating Fund

9 Following the observation in 1989 about a substantial discrepancy between the UPU books and those of the UNDP, steps had been taken with the UNDP and I had been assured that the necessary amended entries had been made at the UNDP. During the audit of the accounts for financial year 1990, from the documents available, my assistants had been unable to assess whether the accounting entries actually made at the UNDP had made it possible to establish agreement of the balances at 31 December 1990 with the UPU's financial statements. I had therefore asked that developments in this matter be followed closely (paragraph 10 of my report of 15 April 1991). No action was taken and the UPU figures have still not been confirmed.

10 As regards the figures appearing on the Status of Funds as at 31 December 1991 (annex 1), my assistants noted that they correspond with those recorded in the UPU accounts. Nevertheless, there remains an unexplained discrepancy between them and those of the UNDP In these circumstances, I must *qualify* the accuracy of the transactions recorded by the UPU or by the UNDP. I have asked the UPU IB, once again, to address this problem and, after identifying and defining the various amounts that constitute the difference, to examine with the UNDP the entries to be made and the means to be used in order to put an end to the discrepancy and the uncertainty once and for all.

Sectoral support allocation

11 The allocation granted for sectoral support in 1991 amounted to 50 000 dollars, to which was added 19 737.76 dollars, the unused balance carried forward from the previous financial year. The 1991 expenditure on the various missions carried out totalled 41 126.52 dollars, leaving a residue of 28 611.24 dollars.

12 The above-mentioned residue represents 57.2 percent of the 1991 allocation. In accordance with the Instructions of 3 December 1985 issued by the UNDP Administrator, the portion over 25 percent should in principle be paid back. However, since the missions planned for Iraq and Guinea could not be carried out in 1991, the UPU IB wants to be able to implement them in 1992 and to finance them with the amount still available.

13 My assistants asked to see the reports prepared following the missions carried out in 1991. At the time of the audit, the documents concerning those carried out in Honduras (Rep), Lebanon, China (People's Rep), the Maldives, Nepal and Vanuatu had been sent to the UNDP, and the report concerning Peru was being printed.

Outstanding obligations

14 Of the total brought forward from financial year 1990 (459 630 dollars), 55 815 dollars, or 12 percent, were credited to various projects because the components that made up that figure did not correspond to commitments that had fallen due.

15 Outstanding obligations on the Status of Funds at 31 December 1991 totalled 545 909 dollars, slightly more than 20 percent of the expenditure during the financial year. To this amount should be added 15 000 dollars relating to 1990. This latter item comes under Liabilities in the balance-sheet (Accounts payable). The above amounts break down as follows:

	US $
– Outstanding obligations "Experts"	200 300.00
– Outstanding obligations "Fellows"	69 200.00
– Outstanding obligations "Equipment and materials"	276 409.00
	545 909.00
– Outstanding obligations 1990 "Equipment and materials"	15 000.00
	560 909.00

16 The audits carried out in this area allow me to confirm that these outstanding obligations were brought to account in compliance with the instructions of the Director of the UNDP Finance Division (Interoffice Memorandum of 14 October 1991). As regards equipment and materials, the outstanding obligations were recorded when the credits were in the budget of the financial year and a firm order had been placed before 31 December 1991. For local purchases, the authorization given by the UPU IB counts as an order.

Support costs

17 The support costs brought to account by the UPU IB were calculated on the basis of the expenditure on 1991 projects, including outstanding obligations. In accordance with the decision of the UNDP Governing Council, 28th session, and the agreement given by the UNDP Administrator, the rate applied was 22 percent.

Procedures for purchase of equipment and materials

18 A few questions of principle were raised by my assistants during the audit of certain acquisitions; in particular, they wanted to know, with regard to local purchases, whether the UPU IB should not select the suppliers itself instead of delegating this function to the UNDP Resident Representatives. In reply, the UPU indicated that its policy was consistent with that of the UNDP which tends to favour local purchases and management of the projects by the beneficiary governments, and gives more freedom to local officials. Nevertheless, a contract follow-up sheet will henceforth be added to all UPU files.

19 The UPU IB also gave me in writing the reasons that had led it, in the cases noted by my assistants, to waive the procedure of calling for tenders, or to place orders for motor vehicles directly with the manufacturer or a local representative.

Execution of projects

20 The budgetary and financial development of certain projects was examined on the basis of the documents available at the UPU IB. By analyzing the reports called for under UNDP rules, particularly the progress reports, the tripartite review reports, evaluations and terminal reports, my assistants were able to assess the extent to which the objectives set had been met. I summarize below the observations and remarks relating to three projects.

Project 1

21 In this project, the UPU IB was participating as an associated agency, the executing agency being the UN/DTCD (Department of Technical Cooperation for Development); its purpose was to arrange for the participation of three Fellows from the country in question in postal management courses at the POMC (Post Office Management College) at Rugby, at the rate of one a year in 1988, 1989 and 1991. Because of the small number of postal activities included in the project, progress reports were not requested.

22 As for the terminal report, because the UPU IB's participation in the execution of the project was finished from an operational point of view in 1991, it is up to the executing agency, if necessary with the cooperation of the government of the beneficiary country (PPM, section 30605), to prepare it. Thus far, the UPU IB has not been asked to contribute to the terminal report.

23 For the duration of the project, the participants in the courses were invited to submit monthly reports and a final report on the course; one copy of these documents must be sent to the UPU for analysis. Moreover, in addition to the evaluation conducted early in 1992 by the UN/DTCD, the UPU IB plans to ask its Regional Adviser to study on the spot the impact of the training received.

/...

Project 2

24 Due to failure to recruit a qualified expert on time, a mission was delayed by seven months. Budget revisions "B", "D" and "E" call for increases mainly at line 11 due to the extension of certain missions ("B" + 6000 and "D" + 4000 dollars), and also as the result of the increased rate of daily subsistence allowances and salary scales ("E" + 11 000 dollars).

25 Although the project document calls for one, no tripartite review report was prepared. The reasons given were that none of the parties had asked for one, because of the short duration of the project and the fact that the total UNDP contribution was under 400 000 dollars. According to the PPM, section 30604, paragraph 3, in such cases, the Resident Representative must send a letter to the executing agency and to UNDP headquarters reflecting discussion with the authorities concerned. The letter, which was to indicate specifically why a formal review was not considered necessary, could not be produced at the time of the audit.

Project 3

26 The initial document for this regional project for "Introduction and development of EMS" called for the activities to begin in September 1988 for a duration of ten months. The project did not in fact get under way until January 1989, due to the late signing of the document. The final cost is approximately 31 000 dollars, or 30 percent, higher than the original estimate.

27 As for the overall budgetary overrun of the project, the explanations given by the UPU to my assistants revealed that on the one hand, the project included preparatory missions not provided for in the budget and that, on the other, the cost of the missions had been estimated in 1986 on the basis of daily subsistence allowance rates and air ticket costs lower than those in effect at the time of the missions. Moreover, one expert (technical coordinator) had been recruited at a higher grade than that considered for budgeting purposes.

28 Although the project document calls for one, no progress report was prepared. Moreover, in this case as well, the letter from the Resident Representative mentioned in paragraph 24 was missing.

29 In view of the short duration of the project (eight months), the evaluation report was considered by the UPU IB as the terminal report.

Conclusions

30 Following the work done, I am in a position to issue the audit certificate appended to annex 2 to this report.

(signed) F FAESSLER

Deputy Director
SWISS FEDERAL AUDIT OFFICE

(External Auditor)

Annexes:

1-2 Statement I
  - Status of Funds as at 31 December 1991
3 Schedule 1A
4-5 Schedule 2

/...

UNIVERSAL-POSTAL UNION
INTERNATIONAL BUREAU

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME

Status of Funds as at 31 December 1991
(in US dollars)

Operating Fund

Balance at 1 January 1991		(627 728.64)
Add: Cash drawings from UNDP	1 390 000.00	
IOVs	2 351 288.84	
Other charges (net)	(64 013.76)	
Miscellaneous income and exchange adjustments (net)	45 788.16	
Miscellaneous items refunded to UNDP (net)	(22 420.29)	3 700 642.95
		3 072 914.31
Subtract: Expenditure during 1991:		
For projects		
Disbursements (Schedule 1A)	2 148 911.00	
Unliquidated obligations (Schedule 1A)	545 909.00	
For programme support costs (Schedule 1A)	592 860.40	3 287 680.40
Balance at 31 December 1991		(214 766.09)
Represented by:		
Cash at banks, on hand and in transit (Schedule 8bis)		637 246.73
Accounts receivable (Schedule 8)		181 563.16
		818 809.89
Less: Accounts payable (Schedule 9)	487 666.98	
1991 unliquidated obligations (Schedule 1A)	545 909.00	1 033 575.98
		(214 766.09)

CERTIFIED CORRECT

G Beney

G. BENEY
Chief, Finance Section

APPROVED

A.C. BOTTO DE BARROS
Director-General

/...

Translation from French

Audit certificate

I have examined the above financial statement. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

The financial statement presents fairly the financial position as at 31 December 1991 and the results of its operations for the period then ended. However, as it was not possible for the concordance of the figures to be submitted to me, I must qualify my opinion regarding their correctness.

For further details, I refer to my audit report of 24 April 1992.

Faessler

Berne, 24 April 1992

F FAESSLER

Deputy Director
Swiss Federal Audit Office
(External Auditor)

/...

ANNEX C

Eidgenössische Finanzkontrolle
Contrôle fédéral des finances
Controllo federale delle finanze
Swiss Federal Audit Office
943.0.1.9/91
E1

3003 Bern, 18 May 1992

INTERNATIONAL TELECOMMUNICATION UNION, GENEVA ACCOUNTS FOR THE TECHNICAL COOPERATION PROJECTS OF THE UNITED NATIONS DEVELOPMENT PROGRAMME

Financial year 1991

Report by the External Auditor

Terms of reference

1. Under Article 51 of the Financial Regulations of the International Telecommunication Union (ITU) and Article XVII of the Financial Regulations and Rules of the United Nations Development Programme (UNDP), and in accordance with section 3 of Article XI of the Agreement signed on 19 June 1990 between the UNDP and the ITU, I inspected the accounts of Technical Cooperation projects, kept in United States dollars, as at 31 December 1991, in my capacity of External Auditor appointed by the Government of the Swiss Confederation.

2. For the performance of this task at ITU headquarters in Geneva, I called on several qualified officials of the Federal Audit Office.

3. I wish to express my appreciation for the courtesy shown by all the officials of the ITU who were approached in supplying the information and documents needed for the performance of my task.

4. During the audit my colleagues had regular meetings with Mr. A. Tazi-Riffi, Chief of the ITU Finance Department. They also spoke with Mr. W. Richter, Chief of the Programme Support, Organization and Methods Department of the ITU Telecommunications Development Bureau (BDT).

Verifications and comments

General

5. The audit was carried out in keeping with standard auditing procedures, in conformity with both the additional terms of reference attached to the Financial Regulations of the ITU and the relevant UNDP rules. In so far as they were relevant to our work, the standard procedures used by the group of External Auditors of the United Nations were followed.

6. Spot checks were made of the posting to account of movements relating to allocations for indicative planning figures (IPF), special programme resources (SPR), special measures for the least developed countries (LDCs) and government cash counterpart contributions (GCCC), expenditure and income during the financial year and cash funds. The accuracy of the items appearing in the financial statements at 31 December 1991 (Statement I, Schedules 1A and 2) was verified. The balances in the various accounts on the same date were checked against those appearing in the bank statements. The other main items, both assets and liabilities, were inspected and the financial statements were compared with the latest UNDP document (OFS 91-12) at 31 December 1991. Allowance was made for the fact that unliquidated obligations for 1991 were deducted from the final OFS, in accordance with the Interoffice Memorandum of 7 April 1992.

/...

Allocations for IFP, SPR, LDCs and GCCC

7. For some IPF and LDC projects, the allocation is less than expenditure or is even lacking altogether. In some cases the difference is due to adjustments which should be taken into account in the annual mandatory revision and which will be the subject of an additional allocation. ITU officials were asked to see to it that the missing allocations actually materialize.

8. Furthermore, the allocations for three projects, LDC CV187D13, MAU87024 and MLI87007, mentioned in my last report, have still not been allocated. Since expenditure already incurred is relatively substantial, I have reiterated my request for the ITU to claim these allocations.

9. Regarding project GCCC SOM86020, the imbalance between actual expenditure and the allocation allocated amounts to 1,350 dollars. Here too, for form's sake, the missing allocation should be claimed from the UNDP.

Operating Fund statement

10. The statement of UNDP funds drawn up by the ITU at 31 December 1991 shows a balance of 757,178.33 dollars, whereas the amount given in the latest UNDP document (OFS 91-12 Final) is 760,425.33 dollars, taking account of unliquidated obligations which amount to 1,323,023 dollars. The individual amounts which constitute this difference, which is of 3,247 dollars, have been identified, and it will be corrected in 1992.

Cash resources

11. For the period January-December 1991, checks were made of the payment of UNDP funds, in dollars and various other currencies, required for project implementation. The checks produced positive results, showing that the transfers had been accurately recorded in the Union's cash accounts.

Sectoral support allocation

12. The sectoral support allocation statement in the ITU accounts shows a credit balance of 147,906 dollars, which may be broken down as follows:

/...

		US $
-	Balance owed to UNDP under allocations for 1988	26,174.--
-	Balance owed to UNDP under allocations for 1990	50,944.--
-	Balance available to the ITU for 1991, according to the UNDP's fax message of 21 March 1991	31,000.--
		108,118.--
-	Balance of financial year 1991	39,788.--
-	Statement at 31 December 1991	147,906.--

Unliquidated obligations

13. Out of the total balance carried over from 1990 (2,625,760 dollars), a sum of 227,337.10 dollars, i.e. 8.7%, was credited to the various projects because the items making up this figure were not taken up by commitments that had fallen due.

14. Unliquidated obligations which appear on the statement as at 31 December 1991 stand at 1,323,023 dollars, equivalent to slightly over 5% of the financial year's expenditure. This amount breaks down as follows:

		US $
-	Unliquidated obligations "Experts"	331,211.--
-	Unliquidated obligations "Consultants"	51,744.--
-	Unliquidated obligations "Fellows"	5,584.--
-	Unliquidated obligations "Local staff"	11,507.--
-	Unliquidated obligations "Equipment"	922,977.--
		1,323,023.--

15. According to the verifications carried out, the unliquidated obligations have been posted to account in accordance with the Instructions of the Director of the UNDP Finance Division (Interoffice Memorandum of 14 October 1991). However, according to information given to my colleagues, this does not include all obligations contracted up to 31 December 1991. For practical reasons, some obligations were not posted. In addition, despite arrangements made previously, the conversion into dollars of the cost of equipment expressed in another currency was not based on the United Nation's rate of exchange for December 1991. Steps have been taken to ensure that this inaccuracy is not repeated in the future.

Comment by the Secretary-General:

"As far as equipment is concerned, obligations were recorded when budgetary allocations exceeded 100,000 US dollars and when a firm order had been placed or a contract signed before 31 December 1991."

/...

Support costs

16. Support costs posted to account by the ITU were determined on the basis of the 1991 project expenditure, including unliquidated obligations. In general, the rate applied was 13%, except in the case of certain projects, for which a lower rate had been agreed.

17. The checks made on the conversion into Swiss francs and the transfer of sums due to the executing agency call for no special comment.

Project implementation

18. In the course of an interim revision, the budgetary and financial development of certain projects was examined on the basis of documents available at ITU headquarters. My colleagues analysed the various reports referred to in the UNDP regulations (in particular, progress, tripartite review, evaluation and final reports), in order to assess the extent to which objectives had been achieved. At the same time, with regard to projects which they had dealt with in 1990, they considered how the ITU had settled matters which had been left in abeyance at that time. The findings and comments sent to the executing agency are summarized below:

Project No. 1

19. The purpose of this project was to set up a new training centre capable of developing new training methods and of training middle and high level staff in telecommunications, with an emphasis on technical aspects, traffic management, procurement, commercial and financial matters and personnel management.

20. The objectives were to be achieved within three years, with a budget of $1,873,500 and 136 experts' and consultants' man-months.

21. Activities commenced as planned in April 1986. However, the programme was held up owing to difficulties in appointing counterparts and fellows, in recruiting instructors capable of working at the centre and in defining the powers of its director. It was therefore necessary, in the course of implementation, to extend the project by 15 months. Finally, the total cost planned for in the last budget was $2,128,331. By 30 September 1991, recorded expenditure had risen to $2,106,523.

22. By the time of the international experts' departure, the project's main objectives had been achieved; the training centre was able to take on the planned 100 trainees. As for the immediate objectives, these had all been achieved, with the exception of a post-graduate course. According to the conclusions of the final report, it is now the responsibility of the recipient country, bearing in mind the rapid technical changes taking place in telecommunications, to maintain and extend what has been achieved. A follow-up to this project has been recommended.

/...

23. At the time of the audit (October 1991), the document transferring equipment to the government had not yet been drawn up. My colleagues asked the ITU to see to this as quickly as possible.

Project No. 2

24. This project, which consisted of a preliminary feasibility study of investments in the telecommunications sector, was started in 1987 on the basis of a preliminary UNDP agreement (23 September 1987) and two subsequent agreements dated 12 January and 2 February 1988 respectively. The objectives were stated in their definitive form in revision E of the project. At that time, the total expenditure planned for in the budget was $304,500.

25. In 1989, at the request of the national Administration, 12 man-months of expert's time were added on, since it had been found necessary to consult a telecommunications planning expert. By the end of the project in 1990, total expenditure posted to account amounted to $439,769.

26. Although the project had been completed operationally since 1990, the final report was still not available at the time of the audit (October 1991); without giving any reason for the delay, the ITU stated that it would be ready after 7 December 1991. My colleagues were unable to assess to what extent the objectives specified had been achieved without seeing the conclusions of the final report.

27. The document transferring the equipment to the government was signed by the three parties in May/June 1991.

Project No. 3

28. Implementation began in 1982 with a preparatory phase and continued until 1990, even though it was originally meant to last three years.

29. The first progress report dates from 17 January 1984 and describes the various factors which hindered progress. These were attributable to the recipient country, rather than to the executing agency. It would be fair to ask if many of these factors were not already known when the project was set up.

30. In order to achieve the objectives as defined and subsequently revised, four extensions to the project were accepted. In financial terms, budgets increased successively from $1,632,000 to $2,184,165. The final total expenditure posted to account was $2,161,418.

31. Thanks to all the efforts made, most of the outputs listed had been implemented by the time the international experts and consultants left. Local staff were expected to complete some operations. Although the results obtained may be described as generally positive, the recommendations contained in the final report raise doubts as to whether the centre will survive.

32. At the time the review was carried out (October 1991), the total amount of the lists accompanying the document transferring the equipment did not match the expenditure posted to account for that item. The ITU has been asked to look into the problem, and to have a new document signed for transfer to the government, or a supplement to the one drawn up in July/August 1990.

Project No. 4

33. According to the initial project document, provision had been made for 197.5 man-months of experts' and consultants' time and an estimated cost of 1,983,000 dollars for the renovation and expansion of telecommunications, for staff training, and for the maintenance of the National Office of Posts and Telecommunications (ONPT).

34. The project should have started in January 1987. It did not actually do so until March 1988, and there were a number of problems associated with the appointment of experts and counterparts, and with the transfer and renovation of the building which was to house the proposed training centre.

35. Since the recipient country was unable to meet its commitments, it was thanks to another contribution from the UNDP (of 253,641 dollars) and to a contribution from a country that the premises required for the training centre were made available for the project.

36. At the tripartite review meeting held in October 1989, it was noted that the project remained relevant but that, in view of the new ONPT structures which had been created in the meantime, the original project objectives had been overtaken and would need to be revised. In February 1990, a whole series of Recommendations were made to enable the training centre to function once the international experts had left. To this end, a project extension until August 1991, followed by a further extension until August 1992, was accepted by the UNDP.

37. When the project was reviewed (October 1991), the total budget amounted to 3,550,000 dollars, i.e., 79% more than originally planned. The actual expenditure to be borne by the UNDP had reached 3,055,769 dollars by 30 September 1991.

Project No. 5

38. In 1987, the ITU initiated a feasibility study under the project name RASCOM for a regional African satellite communications system. The purpose of the study was to define Africa's long-term telecommunications requirements and to suggest ways of creating an efficient and well-managed communications infrastructure, which would promote development of the entire continent.

/...

39. Over the years, this study was co-financed by a number of organizations and two countries, as well as a long-term technical assistance loan, to a total of over 7,500,000 dollars.

40. The UNDP's participation in the project dealt with in this summary resulted in a document signed in September/October 1989 for a total contribution of 1,600,000 dollars. At the time of the audit (December 1991), total expenditure had risen to about 1,700,000 dollars. Since my colleagues have not been given any signed revision to account for the 100,000 dollar surplus, the ITU was asked to deal with this administrative problem as quickly as possible, although it does have a written authorization from the UNDP.

41. During the project implementation phase, the follow-up and assessment were to be dealt with in a report produced for the Inter-Agency Coordination Committee (IACC), which was set up by the African heads of state, and in which the UNDP is involved. According to information received, this Committee met regularly in 1990 and 1991 and studied a number of reports produced by the executing agency. An assessment of the study will be made at the beginning of 1992, with the participation of the UNDP.

Follow-up to the findings in my report for the financial year 1990 concerning project implementation

Project No. 2 (Item 23)

42. In November 1991, the document transferring the equipment had still not been signed. The ITU has taken no further steps since 16 November 1990, when a reminder was addressed to the resident representative. It has been asked to settle this affair as quickly as possible.

Project No. 3 (Item 24)

43. The final report, which had still not been produced at the time of the audit (November 1990), was distributed in February 1991. The document shows that the immediate objective, of setting up a centre for digital techniques in radio broadcasting, was achieved.

44. Even though the UNDP's financial contribution was relatively modest (558,744 dollars), the coordinated action by the UNDP, ITU and the Government was described as very positive.

Project No. 4 (Item 25)

45. Having been invited to resolve the question of the transfer or sale of a microcomputer and printer acquired for the project, the ITU in February 1991 submitted a proposal to the UNDP Administration to allocate this equipment to another regional project. As there was no response to the request, my colleagues asked the ITU to address a reminder to the UNDP's Regional Programme Division in New York. The relevant correspondence was dated 6 November 1991.

Conclusions

46. As a result of the operations carried out, I am in a position to provide audit certificates to be appended below each of the following documents (Statement I):

- Statement of UNDP Funds (Annexes Nos. 1 and 2);
- Statement of UNDP trust funds RAS91001;
- Statement of Sector Support Funds 8INT78020.

(Signed)

F. Faessler

Deputy Director
SWISS FEDERAL AUDIT OFFICE

(External Auditor)

Annexes:

1-2	Statement I - Status of funds as at 31 December 1991
3	Schedule 1A
4-7	Schedule 2

Annex 1

STATEMENT 1

United Nations Development Programme
(International Telecommunication Union)

Status of Funds as at 31 December 1991
In US Dollars)

		$	$
Operating Fund			
Balance at 1 January 1991(ITU Audit Report)			-1'763'555.47
Add:	Undue support costs (on BRA87003 GCCC) credited by UNDP in OFS 90/12	**	-1'790.00
Balance as per OFS 90/12			-1'765'345.47
** Credit cancelled in your AGY91/0174 of 08.05.91			
Add :	Cash drawings from UNDP	17'960'477.98	
	IOVs.	11'689'468.83	
	Other charges (credits net - OFS 91/11)	-281'080.52	
Total OFS 91/11			29'368'866.29
To appear in OFS 91/12			
Contribution from Honduras		-165'000.00	
Miscellaneous debits and exchange adjustments (Net)		-8'124.07	
Credits on completed projects		12'218.92	-160'905.15
			27'442'615.67
Deduct :	Expenditure during 1991 (Schedule 1A)		
	For Projects :		
	Disbursements	23'757'533.00	
	Unliquidated obligations	1'323'023.00	
	For programme support costs	3'120'578.00	-28'201'134.00
			-758'518.33
Add :	Adjustment to prior year's expenditure (Schedule 1B)	1'186.00	
	Adjustment to prior year's programme support costs (Schedule 1 B)	154.00	1'340.00
Balance at 31 December 1991.			-757'178.33
Represented by :			
Cash at banks, on hand and in transit			839'975.64
Accounts receivable (Schedule 8)			869'022.11
			1'708'997.75
Less :			
Accounts payable (Schedule 9)		1'143'153.08	
1991 Unliquidated obligations (Schedule 1A)		1'323'023.00	-2'466'176.08
			-757'178.33

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Annex 2

STATEMENT 1 (continued)

Certified correct :	Approved :
A. Tazi-Riffi Chief of the Finance Department	Pekka Tarjanne Secretary General

AUDIT CERTIFICATE

I have examined the above financial statement. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidences as I considered necessary in the circumstances.

The financial statement presents fairly the financial position as at 31 December 1991 and the results of its operations for the period then ended.

F. Faessler

Deputy Director
SWISS FEDERAL AUDIT OFFICE

(External Auditor)

Geneva, 10 March 1992

REPORT No.1.

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UNDP

Financial Period 1990-1991

REPORT OF THE EXTERNAL AUDITOR

General

1. The financial statements and tables relating to the participation of WMO in the United Nations Development Programme were submitted by the Secretary-General for audit in accordance with the instructions of UNDP for the year end closure of accounts. The statements pertaining to the years 1990 and 1991 are presented in the form laid down by the UNDP, and I have examined them during the audit of the General budget and subsidiary funds of the Organization for the biennium 1990-1991.

2. Statements I show the financial resources placed at the disposal of WMO by UNDP in 1990 and 1991, project expenditures incurred by WMO during each year of the biennium and programme support costs accrued to the organization, as well as the balance of funds as at 31 December 1990 and 1991. As in 1989, the statements show a negative balance for WMO as a result of the previous negative balance carried forward and the inclusion in the accounts of unliquidated obligations. The cash position at 31 December 1990 and 1991 is still positive for WMO, at the same level as in 1989.

3. Total programme and support costs expenditures amounted to US$ 19,010,977 in 1990, which represents an increase of 10,5 % over 1989 and to US$ 17,659,886, which represents a decrease of 7.1% compared to 1990.

Programme support costs

4. Expenditures incurred by WMO for the administration of UNDP projects is charged to the WMO Technical Co-operation Fund. In 1990 the contribution requested by WMO amounts to US$ 2,183,444 for a total IPF project expenditure of US$ 16,795,723. In 1991, these expenditures amounted to US$ 15,571,568 in excess of US$ 571,568 over the upper limit established for the eligibility to benefit from support cost flexibility arrangements. However, the contribution requested from UNDP by WMO amounts to US$ 2,100,000 (instead of US$ 2,024,304), on the understanding that the arrangements detailed in the schedule 4A, page 2, will be agreed by UNDP.

Budget and Unliquidated obligations (ULO)

5. UNDP in order to simplify the management of the executing agencies has adopted a "budget flexibility clause" to reduce the constraint of budget allotments. This flexibility applies to each project, and for a specific year budget.

6. The measures decided by the General Assembly of the United Nations at its forty-fourth session modifying the remuneration system of staff in the professional categories with effect from 1 July 1990. As a result of the application of these measures, the expert costs have been highier than forseen and, on some projects, the gap between expenses and approved budget have exceeded the margin allowed by the flexibility clause. These excess amounts which were less than 2% of total budgeted expenses have been taken care of during the annual mandatory rephasing of projects at the beginning of 1991.

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7. We found that some projects show expenditure when no budget was initially allowed to them:

- TRI/91/002 A for US$ 19,977
- UAE/90/004 A for US$ 8,439 and US$ 8,782
- INT/91/022 A for US$ 100,302.

8. Venezuela project 86/002 figures commitments for equipment amounting to 134,272 $ among which ULOs amount to 34,106 $ for a budget of 160,959 $ as of 31 December 1990. On 26 February 1991 a decision modified this equipment budget, lowering it to 130,000 $. But the ULOs have not been modified, thus not taking into account the reduction in budget (4,272 $ should be considered as carried over commitments).

Standard Basic Executing Agency Agreement (SBEAA)

9. We noted that a Standard Basic Executing Agency Agreement was signed 1991 between UNDP and WMO.

Pierre ARPAILLANGE
(Premier Président de la Cour des Comptes
de la République française)

External Auditor of the
World Meteorological Organization

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UNITED NATIONS DEVELOPMENT PROGRAMME

WORLD METEOROLOGICAL ORGANIZATION

Status of funds as at 31 December 1990 and 1991
(in US dollars)

EXTERNAL AUDITOR'S OPINION

To the Executive Council of the World Meteorological Organization.

I have audited the appended statements I as well as the corresponding schedules 1 to 11 on the status of funds of the World Meteorological Organization as executing agency of the United Nations Development Programme, pertaining to the financial year 1990 and 1991. I conducted my audit in accordance with the audit standards of the Panel of external auditors of the United Nations organization, the specialized agencies and the International Atomic Energy Agency. I have, particularly , examined the accounting procedures and audited on a test basis the evidence supporting the amount and disclosures in the financial statements.

Following that audit, my opinion is that these financial statements and the corresponding schedules present fairly in all material respects, the financial position as at 31 December 1991, that the results of its operations for the financial period are in accordance with the specified accounting principles and that the transactions which have come to my notice during my audit of the financial statements have been, in all significant respects, in accordance with the Financial Regulations and legislative authority of the organization.

Pierre ARPAILLANGE
(Premier Président de la Cour des Comptes
de la République française)

External Auditor of the
World Meteorological Organization

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STATEMENT I

United Nations Development Programme

WORLD METEOROLOGICAL ORGANIZATION

Status of Funds as at 31 December 1991

(in US dollars)

Operating Fund

1990			1991
(3,380,092)	Balance at 1 January		(2,161,493)
8,023,230	Add: Cash drawings from UNDP	7,107,000	
11,423,538	IOVs	10,752,630	
625,303	Other charges/credit (net)	(212,474)	
153,265	Miscellaneous income and exchange adjustments (net)	(43,519)	
4,240	Miscellaneous items refunded to UNDP (net)	76,965	17,680,602
16,849,484			15,519,109
	Less: Expenditure during year		
	For projects		
13,898,668	Disbursements (Schedule 1A)	13,052,973	
2,943,074	Unliquidated obligations (Schedule 1A)	2,529,587	
2,169,235	For programme support costs (Schedule 1A)	2,077,326	17,659,886
-	Add: Adjustment to prior year's expenditure (Schedule 1B)	-	
-	Adjustment to prior year's programme support costs (Schedule 1B)	-	-
(2,161,493)	Balance at 31 December		(2,140,777)
	Represented by:		
305,423	Cash at banks, on hand and in transit		327,566
1,262,314	Accounts receivable (Schedule 8)		1,018,248
1,567,737			1,345,814
786,156	Less: Accounts payable (Schedule 9)	957,004	
2,943,074	Unliquidated obligations (Schedule 1A)	2,529,587	3,486,591
(2,161,493)			(2,140,777)

CERTIFIED CORRECT

M. Husain
(M. Husain)
Chief, Finance and
Budget Division

APPROVED

(G.O.P. Obasi)
Secretary General

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ANNEX 2

UNITED NATIONS DEVELOPMENT PROGRAMME

INTERNATIONAL MARITIME ORGANIZATION

1. Introduction

1.1. The transactions of the International Maritime Organization as an executing agency of the United Nations Development Programme, during the year ended 31 December 1991, are recorded in the annexed statement I and the accompanying schedules in the form prescribed by UNDP.

2. Status of Funds; statement I

2.1. Cash drawn from UNDP during the year amounted to $5,548,040 whilst payments made on behalf of IMO directly from UNDP funds for programme expenditure and charged to IMO by inter-office vouchers, totalled $1,879,499. Net miscellaneous charges were $249,790.

2.2. Expenditure on project activities during 1991 amounted to $5,522,388 (compared with $5,356,551 in 1990) made up of disbursements of $4,739,651 plus unliquidated obligations of $782,737. Programme support costs of $1,100,000 brought the total expenditure to $6,622,388.

2.3. The support cost of $1,100,000 charged in the account to meet the cost of IMO's technical and administrative support of the programme, consists of 13% of the $5,522,388 project expenditure less refund of $2,953 plus an amount of $382,473 claimed under the arrangement for support cost flexibility for small agencies approved by the UNDP Governing Council.

2.4. Balance of the Operating Fund as at 31 December 1991 amounted to $97,752 and was represented by:

Cash at banks		$373,774
Accounts receivable		$907,265
		$1,281,039
Less: Accounts payable	$400,550	
1991 unliquidated obligations	$782,737	
		$1,183,287
Balance as at 31 December 1991		$97,752

W.A. O'NEIL
Secretary-General

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OPINION OF THE EXTERNAL AUDITOR ON THE FINANCIAL STATEMENTS OF THE INTERNATIONAL MARITIME ORGANIZATION AS EXECUTING AGENCY FOR THE UNITED NATIONS DEVELOPMENT PROGRAMME FOR THE YEAR ENDED 31 DECEMBER 1991

To : The Assembly of the International Maritime Organization

I have examined the appended financial statements comprising the Status of Funds Statement (Statement I), Schedules 1A to 3, and supporting Notes of the International Maritime Organization as Executing Agency for the United Nations Development Programme for the year ended 31 December 1991, in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

As a result of my examination, I am of the opinion that the financial statements present fairly the financial position as at 31 December 1991 and the results of the operations for the year then ended; that they were prepared in accordance with the Organization's stated accounting policies applied on a basis consisitent with the preceding financial period; and that the transactions were in accordance with the Financial Regulations and legislative authority.

I have no observations to make on these financial statements.

John Bourn

Sir John Bourn
(Comptroller and Auditor General, United Kingdom)
External Auditor

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STATEMENT 1

UNITED NATIONS DEVELOPMENT PROGRAMME
International Maritime Organization

Status of Funds as at 31 December 1991
(expressed in US dollars)

1990 $	Operating Fund	1991 $	
(1,007,466)	Balance at 1 January 1991		(457,609)
5,942,552	Add: Cash drawings from UNDP	5,548,040	
1,464,454	Inter-office vouchers	1,879,499	
(486,054)	Other charges/credits (net)	(213,697)	
115,175	Miscellaneous income and exchange adjustments (net)	(10,509)	
(29,719)	Miscellaneous items refunded to UNDP (net)	(25,584)	
			7,177,749
5,998,942			6,720,140
	Less: Project expenditure during 1991:		
4,596,356	Disbursements (schedule 1A)	4,739,651	
760,195	Unliquidated obligations (schedule 1A)	782,737	
1,100,000	For programme Support costs (schedule 1A)	1,100,000	(6,622,388)
(457,609)	Balance at 31 December 1991		97,752
	Represented by:		
173,334	Cash at banks, on hand and in transit		373,774
460,975	Accounts receivable (schedule 8)		907,265
634,309			1,281,039
331,723	Less: Accounts payable (schedule 9)	400,550	
760,195	1991 Unliquidated obligations (schedule 1A)	782,737	
			1,183,287
(457,609)			97,752

D. MUTHUMALA
Head, Finance and Budget Section

W.A. O'NEIL
Secretary-General

REPORT NO.1

/...

Translated from French

Swiss Federal Audit Office
944.0.1.18/90
El Ne

3003 Bern, 24 April 1992

WORLD INTELLECTUAL PROPERTY ORGANIZATION, GENEVA

TECHNICAL COOPERATION PROJECT ACCOUNTS OF THE UNITED NATIONS DEVELOPMENT PROGRAMME

Financial year 1991

Report of the External Auditor

MANDATE

1. In accordance with the agreements concluded between the World Intellectual Property Organization (WIPO) and the Government of the Swiss Confederation on the external audit of accounts, and pursuant to article XVII of the United Nations Development Programme (UNDP) Financial Regulations and Rules, and to article XI, paragraph 3, of the Agreement signed in 1978 by UNDP and WIPO, I have, in my capacity as External Auditor, examined the technical cooperation project accounts, stated in United States dollars, for the year ended 31 December 1991.

2. In the course of my work, which was carried out at the headquarters of the International Bureau of WIPO in Geneva, I was assisted by several qualified officials of the Swiss Federal Audit Office.

3. I wish to express my gratitude for the courteous way in which the information and documents necessary for the performance of my assignment were made available by all the staff members of the International Bureau of WIPO called upon for this purpose.

4. During the audit, the findings and comments were routinely discussed with Mr. T. A. J. Keefer, Director of the Budget and Finance Division of WIPO, Mr. P. Favatier, Head of the Finance Section, and Mr. M. Pautasso, Principal Officer, Development Cooperation Programme Support Unit.

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AUDIT AND FINDINGS

General remarks

5. The audit was carried out in accordance with generally accepted accounting principles, the terms of reference annexed to the WIPO Financial Regulations and the UNDP Rules. The audit guidelines adopted by the Panel of External Auditors of the United Nations were followed in so far as they were relevant to our audit.

6. Audit testing was performed in order to ascertain how changes in expenditure and income for the financial year, and in cash items, were reflected in the accounts. The accuracy of the entries in the financial statements, as at 31 December 1991 (Statement I, Schedules 1A and 2) was checked. The cash-account balance as at the same date was checked against the bank statement. The other main entries under assets and liabilities were audited. The last UNDP statement of accounts (OFS 91-12) as at 31 December 1991 and the accounts kept by the WIPO International Bureau were reconciled. Allowance was made for the fact that outstanding commitments for 1991 were deducted from the final Operating Fund Statement, in accordance with the inter-office memorandum of 7 April 1992.

Liquid assets

7. Cash movements and the accurate accounting thereof were analysed and audited for a two-month period. My colleagues also verified that the clearing account of the International Bureau of WIPO was adjusted monthly.

Sectoral support allocation

8. The 1991 allocation of $118,000 was used to finance the activities of the interregional sectoral consultant, which are described in the two semi-annual reports for 1991 submitted by the WIPO International Bureau to the UNDP Administrator. The review of expenses recorded under this heading requires no further comment.

Unliquidated obligations

9. Out of the total amount brought forward from the 1990 financial year ($258,137.78), $21,787.67, or 8.44 per cent, was credited to the various project accounts previously debited, with obligations slightly exceeding expenditure. An amount of $51,080 ($9,934 from 1989 and $41,146 from 1990) was carried forward under the heading of accounts payable. This represents the total unliquidated obligations for the year under review.

10. The unliquidated obligations shown in Financial Statement I (Report No. 1 - IPFs and Report No. 13 - Trust Funds) namely $319,746.57 and $65,689.71, were entered in accordance with the instructions of the Director of the Division of Finance of UNDP (inter-office memorandum of 14 October 1991). With specific reference to equipment, unliquidated

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obligations were recorded when an order had been placed before 31 December 1991 and the corresponding appropriation entered in the budget for the 1991 financial year. For local procurement, the executing agency's purchase authorization was regarded as equivalent to a purchase order.

Support costs

11. The support costs recorded in the accounts for 1991 by the International Bureau of WIPO were calculated, as in previous years, on the basis of the figures for expenditure and unliquidated obligations in respect of indicative planning figure (IPF) and government cash counterpart contributions (GCCC) projects at a global rate of 22 per cent, in accordance with the decision adopted by the UNDP Governing Council at its twenty-eighth session and with the agreement of the UNDP Administrator, and at a rate of 13 per cent in respect of trust funds.

Experts and consultants

12. Several missions carried out within the context of various projects were reviewed on the basis of audit samples. My colleagues audited the salaries and other benefits paid to experts and consultants, with particular regard to entitlement, to the method used in determining the amounts, and to the proper accounting thereof. The salaries were based on guidelines approved by the Director-General of WIPO and the benefits examined had been established within limits which seemed reasonable to me.

Project execution

13. The financial and budgetary evolution of certain projects was reviewed on the basis of the records available at the headquarters of the WIPO International Bureau. An analysis of the reports stipulated by the UNDP Rules, namely, progress reports, Tripartite Review reports, evaluation reports and final reports, enabled my colleagues to determine the extent to which stated goals had been achieved. I summarize, below, the findings and comments on two projects:

Project 1

14. According to the initial project document, 32 m/m of United Nations experts and volunteers and a total estimated cost of $219,500 had been budgeted for the reorganization of the industrial property service, the installation of a computer system, the training and upgrading of staff and the provision of equipment.

15. The project activities were delayed and partially impeded by the shortage of vehicles, hold-ups in the availability of government inputs and the lack of incentives for local staff.

16. The Tripartite Review meeting on 2 April 1991 noted that the project was still relevant and a series of recommendations were adopted and incorporated in Revision D, signed in May 1991. At that time, the project should have been

extended to 31 May 1992, but, after the events in the country in September 1991, activities had to be prematurely suspended and international staff evacuated.

Project 2

17. The first phase of the project, with an estimated cost of $98,500 over two years (1985 and 1986), was designed to strengthen the National Patent Office through a staff development programme, the installation of a system for organizing and classifying a documents library, the strengthening and development of advisory activities for local users, the launching of a public information campaign and the preparation of a feasibility study on the second phase of the project. At the tripartite meeting on 24, 25 and 26 July 1985, the participants decided to combine the two phases in a single project, resulting in Revision C, with a total cost of $556,496, which entailed the redefinition of goals to take into account five main components, namely, the legal context, the organization and management of the National Patent Office, patent documentation and information, the promotion of local inventiveness and the transfer of technology, particularly the granting of licences.

18. While in overall terms the cost difference between Revision C and the last Revision I shows a decrease of $3,923, this is offset by the large number of transfers made between the different budget lines. The main result is a saving, in round figures, of $86,000, or 16 per cent of the total budgeted under line 10, Staff Projects, offset by increasing line 30, Training, by $36,000 and line 40, Equipment, by $50,000. Detailed explanations justifying the changes were given to my colleagues.

19. In conclusion, it was demonstrated to my satisfaction that the transfer of resources from line 10 to lines 30 and 40 had no negative effect on the attainment of the stated goals and that these goals had all been reached. Project execution ended in 1991.

CONCLUSIONS

20. With the conclusion of the audit, I am in a position to issue the audit certification appended to the following documents:

- Status of UNDP funds (annex I)
- Status of UNDP trust funds (annex IV)

(*Signed*) F. FAESSLER
Deputy Director
FEDERAL AUDIT OFFICE OF THE
SWISS CONFEDERATION

(Auditor)

Annexe no 1-1

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
WIPO

Status of Funds as at 31 December 1991
(in US dollars)

Operating Fund	$	$	Comparative figures 1990 $
Balance at 1 January 1991		(477,155.33)	(965,486.99)
Add: Cash drawings from UNDP	1,200,000.00		
IOVs	1,902,232.77		
Other charges/credits (net)	(155,020.57)		
Miscellaneous income and exchange adjustments (net)	4,523.09		
Miscellaneous items charged to UNDP (net)	(81.27)	2,951,654.02	3,934,190.69
Less: Expenditure during 1991 (Sched. 1A)			
For projects			
Disbursements	2,134,904.62		
Unliquidated obligations	319,746.57		
For programme support costs	540,041.14	(2,994,692.33)	(3,445,859.03)
Balance at 31 December 1991		(520,193.64)	(477,155.33)
		==========	==========
Represented by:			
Cash at banks, on hand and in transit	7,955.80		
Accounts receivable (Schedule 8)	41,409.05	49,364.85	110,858.53
Less: Accounts payable (Schedule 9)	249,811.92		
1991 Unliquidated obligations (Schedule 1A)	319,746.57	(569,558.49)	(588,013.86)
		(520,193.64)	(477,155.33)
		==========	==========

CERTIFIED CORRECT	APPROVED
Eliane Seinet Head Expenditures Group	T.A.J. Keefer Controller

AUDIT CERTIFICATE

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Annexe no 1-2

STATEMENT I (continued)

(UNDP)

Audit Certificate

I have examined the above financial statement. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

The financial statement presents fairly the financial position as at 31 December 1991 and the results of its operations for the period then ended.

For further details, I refer to my audit report of 24 April 1992.

24 April 1992

F. Faessler
Deputy Director
SWISS FEDERAL AUDIT OFFICE
(External Auditor)

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OFFICE OF THE EXTERNAL AUDITOR
INTERNATIONAL ATOMIC ENERGY AGENCY

WAGRAMERSTRASSE 5,
P.O. BOX 100,
A-1400 VIENNA,
AUSTRIA
TEL. 2360, VIENNA
FAX: 234564
Ref. No. ....

OFFICE OF THE AUDITOR GENERAL
240 SPARKS STREET
OTTAWA, ONTARIO
CANADA, K1A 0G6
TEL: 613-995-3766
FAX: 613-952-2245
.... 19 ....

1 April 1992

The External Auditor
United Nations Development Programme
One United Nations Place
New York, New York, United States
10017

Gentlemen:

I am the independent auditor of the International Atomic Energy Agency (the Agency), and in my capacity as auditor I have reported under the date of 26 March 1992 on the Agency's financial statements as at and for the year ended 31 December 1991. I enclose one copy of the audited financial statements of the Agency together with my report thereon.

I conducted my audit in accordance with generally accepted auditing standards, conforming with International Auditing Guidelines and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

I did not perform audit tests for the purpose of expressing an opinion on individual balances or accounts or summaries of related transactions such as those enumerated below, and accordingly, I express no opinion on any such balances, accounts or summaries.

The procedures that were performed included the addition of the schedules, agreement of the amounts to the trial balance of the Agency and to the final audited financial statements, and reviewing the 1991 Year End Closure of Accounts of the UNDP and UNDP Administered Trust Funds instructions to identify discrepancies in the accounting policies between the IAEA and the UNDP.

In this context, and in accordance with your request, I advise that to the best of my knowledge the following statements and schedules have been extracted from the underlying accounting records of the Agency as at 31 December 1991, and I have no reason to believe they have not been prepared in accordance with UNDP Interoffice Memorandum on the year end closure of UNDP and UNDP Administered Trust Funds except for unliquidated obligations as noted in the last paragraph:

(1) United Nations Development Programme statements, International Atomic Energy Agency

Statement 1, Status of Funds as at 31 December 1991
Schedule 1A, Expenditure by source of funds for the year ended 31 December 1991
Schedule 2, Expenditure by Country for the year ended 31 December 1991

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(2) United Nations Financing System for Science and Technology for Development, International Atomic Energy Agency

Statement I, Status of Funds as at 31 December 1991
Statement II, Status of Funds as at 31 December 1991
Schedule 1, Project expenditure for the year ended 31 December 1991

I understand that you will rely upon my work and my report relating to the overall financial statements of the Agency in forming your opinion on the accounts of UNDP as at and for the year ended 31 December 1991 which will include the UNDP and UNFSSTD Statements referred to above. I know of no reason why the enclosed financial statements cannot be used for this purpose and I know of no information not fully disclosed in the financial statements which should be considered by you in relation to such purpose.

Please be advised that the Agency's treatment of unliquidated obligations may not be the same as those used by the UNDP. We advise you to read the description in the notes to the financial statements and our audit report to clarify these policies.

Yours sincerely

L. Denis Desautels

L. Denis Desautels, FCA
(Auditor General of Canada)
External Auditor

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AUDIT OPINION

To the General Conference of the
International Atomic Energy Agency

I have audited the appended financial statements, numbered I.A to IV.D, properly identified, of the International Atomic Energy Agency for the year ended 31 December 1991. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, conforming with international auditing guidelines, and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion these financial statements are in accord with the books and records of the Agency and present fairly, in all material respects, the financial position of the Agency as at 31 December 1991 and the results of its operations for the year then ended in accordance with the Agency's accounting principles set out in Note 2 to the financial statements.

Further, in my opinion the transactions of the Agency that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the Financial Regulations and Legislative Authority of the Agency.

Additional information and comments on the financial statements and this opinion are included in the observations in my long form report.

L. Denis Desautels.

L. Denis Desautels, FCA
Auditor General of Canada
External Auditor

Ottawa, Canada
26 March 1992

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STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME

INTERNATIONAL ATOMIC ENERGY AGENCY

Status of funds as at 31 December 1991

(Expressed in US dollars)

OPERATING FUND	1991	1990
Balance as at 1 January	(932 200)	(1 406 465)
Cash drawings from UNDP	100 000	1 010 000
Audit adjustment relating to unprocessed IOV's	1 500 000	-
Interoffice vouchers and other charges (net)	3 067 422	2 813 368
Other charges/credits (net) GCCC		(19 428)
Miscellaneous income and exchange adjustments (net)	2	318
Miscellaneous items refunded to UNDP (net)	1 984	6 138
	3 737 208	2 403 931
Expenditure		
For projects		
Disbursements (Schedule 1A)	998 509	1 842 264
Unliquidated obligations (Schedule 1A)	502 491	883 798
For programme support costs	330 881	610 069
	1 831 881	3 336 131
Balance at 31 December	1 905 327	(932 200)
REPRESENTED BY:		
Cash at banks, on hand and in transit	1 534 461	423 115
Accounts receivable (Schedule 8)	1 540 686	255 488
	3 075 147	678 603
Less: Accounts payable (Schedule 9)	667 329	727 005
Unliquidated obligations (Schedule 1A)	502 491	883 798
	1 169 820	1 610 803
	1 905 327	(932 200)

ANDRE R. GUE
Director, Division of Budget and Finance

HANS BLIX
Director General

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INTERNATIONAL TRADE CENTRE (ITC)

III. AUDIT OPINION

We have examined the following appended financial statements, numbered I through VII, properly identified, and relevant schedules of the International Trade Centre for the financial period ended 31 December 1991. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

As a result of our examination, we are of the opinion that the financial statements present fairly the financial position as at the end of the period and the result of its operations for the period then ended.

The financial statements were prepared in accordance with the stated accounting principles, which were applied on a basis consistent with that of the preceding financial period, except as stated in paragraphs 26 to 29 of the present report.

Transactions were in accordance with the Financial Regulations and legislative authority.

(*Signed*) Osei Tutu PREMPEH
Auditor-General of Ghana

(*Signed*) Eufemio C. DOMINGO
Chairman, Commission on Audit
of the Philippines

(*Signed*) Heinz Günter ZAVELBERG
President of the Federal Court
of Audit of Germany

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STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
International Trade Centre (ITC)

Status of funds as at 31 December 1991
(Expressed in US dollars)

Operating Fund

		1991		1990
Balance at 1 January 1991		(2,486,574)		(2,936,803)
Add: Cash drawings from UNDP	11,779,816		12,231,060	
IOVs	6,171,159		7,239,010	
Other charges/credits (net)	150,258		438,144	
Miscellaneous income and exchange adjustments (net)	12,949		46,147	
Miscellaneous items refunded to UNDP (net)	70,600	18,184,782	15,962	19,970,323
		15,698,208		17,033,520
Less: Expenditure during 1991				
For projects				
Disbursements (Schedule 1A)	12,887,406		14,122,384	
Unliquidated obligations (Schedule 1A)	2,776,625		3,153,786	
For programme support costs (Schedule 1A)	2,027,146	(17,691,177)	2,243,924	(19,520,094)
		(1,992,969)		(2,486,574)
Add/ Subtract: Adjustment to prior year's expenditure (Schedule 1B)	-		-	
Adjustment to prior year's programme support costs (Schedule 1B)	-	-	-	-
Balance at 31 December 1991		(1,992,969)		(2,486,574)
Represented by:				
Cash at banks, on hand and in transit		96,819		85,547
Accounts receivable (Schedule 8)		1,138,360		1,214,817
		2,135,179		1,300,364
Less: Accounts payable (Schedule 9)	451,523		633,152	
1991 Unliq. obligations (Schedule 9)	2,776,625	(3,228,148)	3,153,786	(3,786,938)
		(1,992,969)		(2,486,574)

CERTIFIED CORRECT

APPROVED

AUDIT CERTIFICATE

REPORT No.1

/...

UNITED NATIONS DEVELOPMENT PROGRAMME

REPORT OF THE EXTERNAL AUDITORS ON THE ACCOUNTS OF THE WORLD TOURISM ORGANIZATION AS AN EXECUTING AGENCY FOR THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) FOR THE FINANCIAL YEAR 1991

1. We have carefully examined the financial statements and schedules relating to the financial year 1991, submitted to us by the World Tourism Organization (WTO) in its capacity as an executing agency for the funds allocated to it by the United Nations Development Programme (UNDP).

2. We have jointly and separately reviewed the accounting procedures and such texts of the accounting records and other supporting evidence as we considered necessary in the circumstances.

3. As a result of our examination, we are of the opinion that, from the accounting standpoint, the financial statements properly reflect the financial transactions for the year 1991, which were in accordance with the Financial Regulations and the budgetary and other applicable provisions, thus presenting fairly the financial position at 31 December 1991.

4. Notwithstanding the opinion expressed in item 3 above, we strongly recommend early completion of the computer programme so that it may be put into operation as quickly as possible. It is still very difficult to respond instantly to requests by management for specific accounting information. For instance, owing to software limitations, the computer cannot process the breakdown of expenditure by budget lines, as required by UNDP. The present accounting method therefore affects the speed of data processing, with the corresponding delay to management decision-making.

5. In examining the UNDP accounts for the year 1991, we have observed that the following adjustments have to be made in 1992 as regards some small amounts of income received by WTO as an executing agency for the UNDP projects, which had appeared, in error, in both UNDP and WTO accounts:

(a) Duplication of support cost on project PAL/88/001	$806.00
(a) Support cost on project RAS/89/A04	(603.00)
	$203.00

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Besides, from Statement I regarding Status of Funds, under "Adjustment to prior years' programme support costs", we note that the adjustment of the support cost entitlement of the International Labour Organisation (ILO), amounting to ($44.00), as WTO's Associated Agency under project RAS/79/065, was wrongly credited to WTO and has been carried forward since 1981 as a year-end balance difference between UNDP and WTO. Similarly, under project JAM/84/007, as Lead Agency WTO waived the relevant support cost of 22%, whereas it should have been waived at 13%, as UNDP advised by telex MISC 58 on 30 March 1988, which has left a balance in WTO's favour of $384.59. The entry of the amount resulting from this adjustment, i.e. ($340.59), will have to be reverted in the 1992 accounts in order to offset, once and for all, the year-end balance difference between UNDP and WTO books.

6. Under the present practice of financing various agency programmes, UNDP does not provide funds (cash) for either Associated or Cooperating Agency Programmes. Expenditure for programmes of Associated and Cooperating Agencies is met from the funds of the Lead Agency programme and, after the expenditure is incurred, UNDP is asked for credit to the extent of that expenditure. The competent authority of UNDP approves credit after examining the expenditure statements. Upon receipt of credits from UNDP, the Associated and Cooperating Agency programmes are debited accordingly. In this way, many complications arise in the accounting process, which could be avoided if UNDP were to provide separate funds (cash) against the respective allocations for the Associated and Cooperating Agency programmes.

We think this would contribute favourably to simplification of the accounting work. May we, therefore, express our wish that UNDP provide separate funds (cash) for the Associated and Cooperating Agency programmes.

7. We wish to express our gratitude to the Secretary-General of the World Tourism Organization and his staff, and in particular to the programme Support Division and to the Technical Cooperation Section, for their diligent and cordial assistance throughout our assignment.

Madrid, 27 March 1992

A. Turrión Macias
(Spain)

Abduhu Mahmood Khan
(Bangladesh)

REPORT Nº 1

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
World Tourism Organization

Status of Funds as at 31 December 1991
(in US dollars)

Operating Fund				Prior Year	
Balance at 1 January 1991			(192,462.31)		126,925.02
Add: Cash drawings from UNDP		2,610,000.00		2,465,000.00	
IOVs		905,049.42		696,207.08	
Other charges/credits (net)		(374,892.20)		(337,691.93)	
Miscellaneous income and exchange adjustments (net)		30,759.03	3.170,916.25	39,243.55	2,862,758.70
			2,978,453.94		2,989,683.72
Less: Expenditure during 1991					
For projects					
Disbursements	(Schedule 1A)	2,539,825.10		2,253,886.56	
Unliquidated obligations	(Schedule 1A)	187,991.00		354,429.86	
For programme support costs	(Schedule 1A)	600,119.54	3,327,935.64	573,829.61	3,182.146.03
			(349,481.70)		(192,462.31)
Subtract: Adjustment to prior years' programme support costs	(Schedule 1B)	(340.59)	(340.59)		
Balance at 31 December 1991			(349,822.29)		
Represented by:					
Cash at banks			14.702.58		162,306.92
Accounts receivable (Schedule 8)			9,298.89		85,075.53
			24,001.47		247,382.45
Less: Accounts payable (Schedule 9)		185,832.76		85,414.90	
1991 unliquidated obligations	(Schedule 1A)	187,991.00	373,823.76	354,429.86	439,844.76
			(349,822.29)		(192,462.31)

CERTIFIED CORRECT

Eduardo Ramos-Reimundín
Chief, Programme Support Division

APPROVED

Antonio Enriquez Savignac
Secretary-General

AUDIT CERTIFICATE

A. Turrión Macías
(Spain)

Abduhu Mahmood Khan
(Bangladesh)

Akintola Williams & Co
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Akintola Williams & Co.
Chartered Accountants

REPORT OF THE EXTERNAL AUDITORS OF THE AFRICAN DEVELOPMENT BANK ON THE PROJECT ACCOUNTS OF THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) FOR THE YEAR ENDED 31 DECEMBER 1991

In accordance with Article XI.3 of the Agreement dated 04 March 1977 between the United Nations Development Programme and the African Development Bank, we have audited the accompaying financial statement for the year ended 31 December 1991. The statements are in agreement with the books of account of the African Development Bank which record the financial aspects of the projects.

Our examination was made in accordance with international standards of auditing and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the project as of 31 December 1991 and the results of its operations for the year then ended and, in conformity with the terms of the Agreement referred to above as well as the Agreements which governs the individual projects.

Akintola Williams & co
AKINTOLA WILLIAMS & CO.

24 APRIL, 1992

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STATEMENT 1

UNITED NATIONS DEVELOPMENT PROGRAMME

AFRICAN DEVELOPMENT BANK

Status of Funds as at 31 December 1991

(in US dollars)

Operating Fund	US$	US$
Balance at 1 January 1991		(117 033)
Add: Cash drawings from UNDP	1 539 688	
IOVs	47 459	
Other charges/credit (net)	1 200	
Miscellaneous income and exchange adjustment (net)	6 507	
Miscellaneous items refunded to trust fund (net)	-	1 594 854
		1 477 821
Less: Expenditure during 1991		
For projects		
Disbursements (Schedule 1A)	(1 209 164)	
Unliquidated obligations (Schedule 1A)	(58 088)	
For support cost (Schedule 1A)	(164 743)	(1 431 995)
Add: Prior year adjustments	-	
Subtract: Expenditure (Schedule 1B)	-	
Adjustment to prior year's programme support costs (Schedule 1B)	-	-
Balance at 31 December 1991		45 826
Represented by:		
Cash at banks, on hand and in transit	570 801	
sAccounts receivable (Schedule 8)	-	
Miscellaneous exchange	-	570 801
Less: Accounts payable (Schedule 9)	(466 887)	
1991 Unliquidated obligations (Schedule 1A)	(58 088)	(524 975)
		45 826

Deloitte & Touche

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INDEPENDENT AUDITORS' REPORT

Asian Development Bank - Executing Agency
for the United Nations Development Programme:

We have audited the Statements of Status of Funds as at 31 December 1991 and 1990 (Statement I) relating to funds for projects as to which the Bank is the Executing Agency for the United Nations Development Programme. These financial statements are the responsibility of the Executing Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Notes A and B to Statements of Status of Funds, the financial statements were prepared in accordance with the format and accounting practices prescribed by United Nations Development Programme ("UNDP"), which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, such financial statements present fairly, in all material respects, the status as at 31 December 1991 and 1990 of funds for which the Bank is the Executing Agency for the United Nations Development Programme and the receipts and expenditures of such funds for the years then ended on the basis of accounting described in Notes A and B.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The following supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Supplemental Schedules:

Expenditures by Source of Funds for the year ended 31 December 1991 (Schedule 1A)

Expenditures by Country for the year ended 31 December 1991 (Schedule 2)

These schedules are the responsibility of the Executing Agency's management.

/...

Such schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche

26 February 1992

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SUPPLEMENTARY INFORMATION PROVIDED BY DELOITTE AND TOUCHE, 26 FEBRUARY 1992, ON THE AUDIT OF THE ACCOUNTS OF THE ASIAN DEVELOPMENT BANK

SECTION I - SUMMARY OF OBSERVATIONS AND CONCLUSIONS

The following is a summary of our observations and conclusions resulting from the work performed as set forth in Sections II, III, and IV.

- UNDP-financed projects assigned to the Asian Development Bank as Executing Agency are being administered by the Bank on a regular and timely basis.
- The Bank appears to be taking appropriate follow-up actions, to the extent practicable, on problems identified in consultants' progress reports.
- The Bank is complying with its established procurement procedures pertaining to the engagement of consultants.
- No material weaknesses were identified in the internal control structure.

SECTION II - PRINCIPAL AUDIT PROCEDURES

Our audits of the financial statements and the supplemental schedules referred to previously were conducted in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. Our consideration of the internal control structure is separately described in Section IV. Other principal audit procedures which we believe would be of interest to the Governing Council of the UNDP are briefly described as follows:

Cash at Banks - Obtained confirmations of bank balances as of 31 December 1991 and tested related bank reconciliations.

Advances - Requested positive confirmation of recorded amounts for a judgmental selection of accounts as of 30 September 1991. All confirmation requests were received without exception.

Accounts Payable and Unliquidated Obligations - Requested independent confirmations from vendors selected from cash-disbursements records. Differences disclosed in confirmation replies were satisfactorily resolved and appropriate supporting documentation was examined for the accounts for which no confirmation reply was received.

Reviewed subsequent disbursement records for possible unrecorded liabilities at 31 December 1991, noting no exceptions.

Cash Drawings, IOVs and Other Charges - Obtained positive confirmation of 1991 amounts directly from UNDP.

Project Expenditures - Statistically selected individual disbursements and examined supporting documents for propriety of project distribution and for approval and other independent indications of validity.

Programs Support Costs - Recomputed total costs for 1991 which were based on 13% of project expenditures in accordance with correspondence between the Bank and UNDP.

/...

SECTION III - ADDITIONAL PROCEDURES

In connection with our audits of the UNDP financial statements and the supplemental schedules, we performed the following additional procedures as requested by you.

Contracts with Consultants - We selected three of the eight projects to which expenditures were substantially started in 1991. For each of the selected projects we ascertained, by reference to supporting contract documentation, that the Bank had complied with its procurement procedures pertaining to the engagement of technical assistance consulting firms' consultants as provided for in its published guidelines approved by the Board of Directors.

Review of Selected Projects - We selected four of the sixty-six UNDP-financed projects being administered by the Bank as of 31 December 1991 and performed the following procedures for each of the selected projects:

- Compared project expenditures accumulated through 31 December 1991, in total and (where applicable) by component, to the related budget.
- Reviewed the project's progress to date in relation to the anticipated progress outlined in the underlying project documents.
- Read progress reports issued during the year by the consultant in charge.

In performing the foregoing procedures, nothing came to our attention that caused us to believe that the projects were not being monitored, or that progress reports were not being submitted, on a timely basis. Furthermore, the Bank appears to be taking appropriate follow-up actions, to the extent practicable, with respect to problems identified in the progress reports.

SECTION IV - INTERNAL CONTROL STRUCTURE

In planning and performing our audits, we considered the internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under generally accepted auditing standards.

The management of the Bank is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures.

The objectives of the internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles or other comprehensive basis of accounting.

/...

Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

/...

STATEMENT I
UNITED NATIONS DEVELOPMENT PROGRAMME
Asian Development Bank
(Executing Agency)

Status of Funds as at 31 December 1991 and 1990
(Expressed in US Dollars)

Operating Fund		1991	1990
Balance beginning		($ 3,767,695.57)	($ 1,972,027.10)
Add: Cash drawings from UNDP		$14,221,273.29	$11,097,182.16
IOVs		477,792.81	575,659.52
Other charges/credits (net)		(1,653,303.30)	(353,444.09)
Miscellaneous income and exchange adjustments (net)		(5,053.81)	31,367.81
Miscellaneous items refunded to UNDP (net)		7,102.49	820.38
		13,047,811.48	11,351,585.78
		9,280,115.91	9,379,558.68
Less: Expenditures			
For Projects:			
Disbursements	(Schedule 1A)	6,602,908.96	7,574,745.49
Unliquidated obligations	(Schedule 1A)	2,573,960.02	4,678,626.38
For programme support costs	(Schedule 1A)	1,192,992.97	1,592,938.34
		10,369,861.95	13,846,310.21
Add/Subtract:			
Adjustment of prior year's expenditures		-	(857,484.76)
Programme support costs as Cooperating Agency		-	132,428.80
PSC for additional audit services		13,000.00	26,000.00
		10,382,861.95	13,147,254.25
Balance end		($ 1,102,746.04)	($ 3,767,695.57)
Represented by:			
Cash at banks, on hand and in transit		$ 625,824.42	$ 657,360.23
Accounts receivable (Note C)		1,712,940.45	2,922,164.94
		2,338,764.87	3,579,525.17
Less: Accounts Payable (Note D)		867,550.89	2,668,594.36
Unliquidated Obligations (Schedule 1A)		2,573,960.02	4,678,626.38
		3,441,510.91	7,347,220.74
		($ 1,102,746.04)	($ 3,767,695.57)

See notes to financial statements.

CERTIFIED CORRECT:	APPROVED:
BERNARD DONGE Assistant Controller	IVAN L. ZIMONYI Controller

/...

Coopers
&Lybrand

certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the International Monetary Fund
and Board of Auditors United Nations

We have audited the accompanying status of funds (Statement I), aggregate expenditure report by source of funds (Schedule 1A) and aggregate expenditure report by country (Schedule 2) (collectively, schedules) of the International Monetary Fund (Fund) as executing agency and as an associated agent for certain United Nations Development Programme projects as of December 31, 1991 and for the year ended. These schedules are the responsibility of the Fund's management. Our responsibility is to express an opinion on these schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying schedules were prepared for the purpose of reporting transactions of the International Monetary Fund as an executing agency and associated agent of the United National Development Programme. The schedules have been prepared in accordance with the format and accounting practices prescribed by the United Nations Development Programme, as described in Note A, and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the schedules referred to above present fairly, in all material respects, the status of funds of the International Monetary Fund as executing agency and associated agent for certain United National Development Programme projects as of December 31, 1991 and expenditures for the year then ended, on the basis of accounting described in Note A.

This report is intended solely for the International Monetary Fund for filing with the United Nations Development Programme and other interested parties and should not be used for any other purpose.

Coopers & Lybrand

May 13, 1992
Washington, D.C.

/...

Statement I
Report No. 1

International Monetary Fund
United Nations Development Program

Status of Operating Funds as at December 31, 1991
(in US Dollars)

Balance at January 1, 1991		$ (553,807.35)
Add:		
Cash drawings form UNDP	$3,440,000.00	
IOV's	844,199.84	
Other charges/credits	(203,835.57)	4,080,364.27
Less:		$ 3,526,556.92
Expenditure during 1991 as Agent:		
For projects:		
Disbursements (Schedule 1A)	$2,575,273.19	
Unliquidated obligation.. (Schedule 1A)	142,335.57	
For program support costs.. (Schedule 1A)	353,288.77	(3,070,897.53)
Expenditure as Associated Agent		(1,199,705.00)
Add/(Subtract):		
Prior year's Adjustments:		
IOV's	$ 7,740.95	
Other charges credits	121,042.04	
GCCC expenditure on project (schedule 1B)	300.00	129,082.99
Balance at December 31, 1991		$ (614,962.62)

Represented by:

Due to the IMF		$ (472,627.05)
Less: 1991 Unliquidated obligations (Schedule 1A)		(142,335.57)
Total		$ (614,962.62)
